

ORIGINAL

# NEW APPLICATION



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ADMITTED TO PRACTICE IN:  
ARIZONA, COLORADO, MONTANA,  
NEVADA, TEXAS, WYOMING,  
DISTRICT OF COLUMBIA

OF COUNSEL TO  
MUNGER CHADWICK, P.L.C.

June 25, 2009

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

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JUN 25 2009

ARIZONA CORP. COMM  
400 W CONGRESS STE 218 TUCSON AZ 85701

Re: Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

W-20689A-09-0327  
W-04236A-09-0327

To Whom It May Concern:

Enclosed for filing are the original and thirteen (13) copies of a Joint Application on behalf of Tierra Linda Homeowners Association, Inc. and Gary Smyth.

Please let me know if you have any questions. Thank you for your assistance.

Sincerely,

Angela R. Trujillo  
Secretary  
Lawrence V. Robertson, Jr.

Arizona Corporation Commission  
DOCKETED

JUN 26 2009

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ARIZONA CORP. COMM  
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# NEW APPLICATION

## BEFORE THE ARIZONA CORPORATION COMMISSION

### COMMISSIONERS

**KRISTIN K. MAYES, Chairman**  
**GARY PIERCE**  
**SANDRA D. KENNEDY**  
**PAUL NEWMAN**  
**BOB STUMP**

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ARIZONA CORP. COMMISSION  
DOCKET CONTROL

JUN 25 2009

ARIZONA CORP. COMM  
400 W CONGRESS STE 218 TUCSON AZ 85701

IN THE MATTER OF THE JOINT APPLICATION  
OF TIERRA LINDA HOMEOWNERS  
ASSOCIATION, INC. AND GARY SMYTH FOR  
AN OPINION AND ORDER (i) AUTHORIZING  
SALE OF WATER SYSTEM ASSETS, AND (ii)  
TRANSFERRING CERTIFICATE OF  
CONVENIENCE AND NECESSITY

DOCKET NO. W-04236A-09-\_\_\_\_\_

JOINT APPLICATION

W-20689A-09-0327

W-04236A-09-0327

Pursuant to A.R.S. § 40-285 and A.R.S. § 40-282, Tierra Linda Homeowners Association, Inc. ("Tierra Linda"), an Arizona non-profit corporation, and Gary Smyth ("Smyth"), an individual, by and through undersigned counsel, submit this Joint Application for an Opinion and Order of the Commission (i) authorizing the sale and transfer of the water system assets of Tierra Linda to Smyth, and (ii) transferring Tierra Linda's certificate of convenience and necessity ("CC&N") to Smyth, as more fully described below. In support of this Joint Application, Tierra Linda and Smyth submit the following information.

### I.

#### IDENTITY OF APPLICANTS

Tierra Linda was incorporated in Arizona on May 18, 1992 to represent future homeowners in Tierra Linda Nueva Subdivision in Pima County, Arizona. In that regard, attached hereto as Appendix "A," and incorporated herein by this reference, is a Certificate of Good Standing for Tierra Linda, as issued by the Commission on June 15, 2009. Tierra Linda's functions and responsibilities are governed by a Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva ("CC&Rs"), which were recorded in Pima County on August 9, 2005 in Docket 12612, beginning at page 7587. Included among

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1 those responsibilities is the ownership and operation of a domestic water system for the benefit  
2 of Tierra Linda's members.

3 Smyth is an individual who resides in Tucson, Arizona. For 32 years, he has owned and  
4 operated Smyth Steel. Among its other business activities, Smyth Steel provides the following  
5 construction and installation services to water utility systems located within the State of Arizona:  
6 storage reservoirs, booster stations, hydro pneumatic tanks, arsenic treatment facilities, piping,  
7 electrical panels and SCAIDA systems. In addition, in 2008, Smyth acquired Lakewood Water  
8 Company ("Lakewood") through a stock purchase. Lakewood is subject to regulation by the  
9 Commission, and currently is providing water service to approximately 300 residential  
10 customers.

## 11 II.

### 12 BACKGROUND AND PROPOSED TRANSACTION DESCRIPTION

13 Attached hereto as Appendix "B," and incorporated herein by this reference, is a legal  
14 description of the water service area which was certificated to Tierra Linda by Decision No.  
15 67104, as issued on July 9, 2004. Attached hereto as Appendix "C," and incorporated herein by  
16 this reference, is a map which depicts Tierra Linda's certificated water service area. Tierra  
17 Linda currently provides water service to approximately 50 residential customers. As currently  
18 platted, Tierra Linda's certificated service area has the potential for a total of 190 residential  
19 customer connections.

20 Tierra Linda's current water system was funded through a combination of (i) advances-  
21 in-aid of construction, (ii) contributions-in-aid of construction and (iii) equity provided by Tierra  
22 Linda Development, L.L.C. ("Development"), an Arizona limited liability company. Prior to  
23 Development providing the aforesaid water system funding, Tierra Linda and Development  
24 reached an agreement in principle as to the terms and conditions which would govern  
25 Development's provision of such funds. However, due to inadvertence, that agreement in  
26 principle was not reduced to writing until recently. As a consequence, and as a prerequisite to  
27 the proposed transaction which is the subject of this Joint Application, Tierra Linda is  
28 contemporaneously requesting Commission approval of a June 16, 2009 Water Main Extension

1 Agreement For Developer-Installed On-Site and Off-Site Facilities ("Facilities Agreement")  
2 entered into by Tierra Linda and Developer.<sup>1</sup> A copy of the aforesaid Facilities Agreement is  
3 attached hereto as Appendix "D," and incorporated herein by this reference. Upon Commission  
4 approval of the Facilities Agreement, Tierra Linda will have full legal title to the water system  
5 assets herein proposed to be sold to Smyth.

6 Tierra Linda's current water system possesses the capability to provide adequate and  
7 reliable service on an ongoing basis to its existing customer load. However, over time the water  
8 system will require significant additional capital expenditures, including a second well and  
9 possibly arsenic treatment facilities. In that regard, Tierra Linda does not desire to collect  
10 reserve funds from its members for future capital expenditures, maintenance and repairs; and, it  
11 prefers to convey the existing water system to a qualified successor. Accordingly, attached  
12 hereto as Appendix "E," and incorporated herein by this reference, is a copy of a Certificate of  
13 Resolution of Tierra Linda's Board of Director's conditionally approving a sale of the Tierra  
14 Linda water system to Smyth.

15 In turn, Smyth is quite familiar with the Tierra Linda water system, having constructed  
16 and installed it; and, he is desirous of acquiring the same. In addition, he has the knowledge and  
17 means to competently operate and expand the system now and in the future consistent with the  
18 needs of the water system's customers. In that regard, attached hereto as Appendix "F," and  
19 incorporated herein by this reference, is a financial statement for Smyth which readily attests to  
20 his financial solvency.

21 Accordingly, on June 16, 2009, Tierra Linda and Smyth entered into an Asset Purchase  
22 Agreement by means of which Smyth would acquire Tierra Linda's water system assets and  
23 CC&N, subject to prior Commission approval. A copy of that agreement is attached hereto as  
24 Appendix "G," and incorporated herein by this reference.

25  
26  
27  
28 <sup>1</sup> The original of the Facilities Agreement, together with the requisite number of copies, is being filed with the  
Commission's Utilities Division concurrent with the filing of this Joint Application.

LAWRENCE V. ROBERTSON, JR.  
ATTORNEY AT LAW  
P.O. Box 1448  
Tubac, Arizona 85646  
(520) 398-0411

III.

MISCELLANEOUS INFORMATION

A. Contact Information.

The contact person and contact information for Tierra Linda in connection with this Joint Application are as follows:

Robert P. Zammit  
4729 E. Sunrise Drive #311  
Tucson, Arizona 85718  
Phone: (520) 529-1330  
Fax: (520) 529-1312

The contact person and contact information for Smyth in connection with this Joint Application are as follows:

Gary Smyth  
c/o Smyth Steel  
4010 East Illinois  
Tucson, Arizona 85714  
Phone: (520) 750-8719  
Fax: (520) 750-9544

B. Water System Assets.

Attached hereto as Appendix "H," and incorporated herein by this reference is a list of the water system assets Tierra Linda will convey to Smyth in the event of Commission approval of the Asset Purchase Agreement and transfer of Tierra Linda's CC&N to Smyth.

C. Water System Personnel.

Tierra Linda currently does not have any full- or part-time employees in connection with its operation and maintenance of the Tierra Linda water system. Rather, it contracts for provision of the necessary services. In the event of Commission approval of the proposed transaction and transfer of the CC&N, Smyth will operate and maintain the water system with employees of Smyth Steel and/or contract for provision of the necessary services as appropriate.

D. "Meter Deposits" Defined.

As used in Section 13.3.4 of the attached Asset Purchase Agreement, the phrase "meter deposits" includes refunds due on any meter and service line deposits actually made by homeowner.

1 **E. Notice of Proposed Transaction.**

2 Finally, Tierra Linda intends to provide written notice to its members of the proposed  
3 transaction with Smyth once (i) the Commission's Utilities Division has issued a Sufficiency  
4 Letter with regard to this Joint Application, and (ii) the Commission's Hearing Division has set a  
5 hearing date. A copy of the currently contemplated form of written notice is attached hereto as  
6 Appendix "I," and is incorporated herein by this reference.

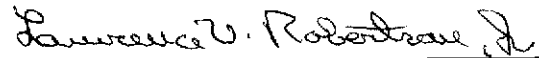
7 **IV.**

8 **CONCLUSION**

9 WHEREFORE, Tierra Linda and Smyth hereby request that the Commission issue an  
10 Opinion and Order (i) authorizing the sale and transfer of Tierra Linda's water system assets to  
11 Smyth pursuant to the provisions of the Asset Purchase Agreement, and (ii) transferring Tierra  
12 Linda's CC&N to Smyth.

13  
14 Dated this 16<sup>th</sup> of June 2009.

15 Respectfully submitted,

16 

17 Lawrence V. Robertson, Jr.  
18 Attorney for Tierra Linda Homeowners  
Association, Inc. and Gary Smyth

19 The original and thirteen (13) copies of the  
20 foregoing Joint Application will be filed  
21 this 25<sup>th</sup> day of June 2009 with:

22 Docket Control  
23 Arizona Corporation Commission  
24 c/o 400 W. Congress, Suite 218  
Tucson, Arizona 85701

25 A copy of the same served by first  
class mail this same date to:

26 Hon. Lyn Farmer  
27 Arizona Corporation Commission  
28 1200 W. Washington  
Phoenix, Arizona 85007-2927

LAWRENCE V. ROBERTSON, JR.

ATTORNEY AT LAW

P.O. Box 1448

Tubac, Arizona 85646  
(520) 398-0411

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Hon. Jane Rodda  
Arizona Corporation Commission  
400 West Congress, Suite 218  
Tucson, Arizona 85701

2

3

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Janice Alward, Chief Counsel  
Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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7

8

Ernest Johnson, Director  
Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

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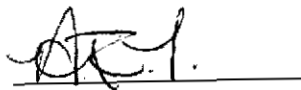
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# **Appendix “A”**

**Tierra Linda Homeowners Association, Inc.  
(Certificate of Good Standing)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**



# STATE OF ARIZONA



Office of the  
**CORPORATION COMMISSION**  
**CERTIFICATE OF GOOD STANDING**

*To all to whom these presents shall come, greeting:*

*I, Michael P. Kearns, Interim Executive Director of the Arizona Corporation Commission, do hereby certify that*

**\*\*\*TIERRA LINDA HOMEOWNERS ASSOCIATION, INC.\*\*\***

*a domestic nonprofit corporation organized under the laws of the State of Arizona, did incorporate on May 18, 1992.*

*I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Nonprofit Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-3122, 10-3123, 10-3125, & 10-11622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.*

*This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.*

**IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 15th Day of June, 2009, A. D.**



  
Interim Executive Director

Order Number: 360157

# **Appendix “B”**

**Tierra Linda Homeowners Association, Inc.  
(Legal Description)**

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

## PARCEL A

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the north quarter corner of said Section 29, marked by a General Land Office brass capped pipe and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, southerly along west line of the northeast quarter of said Section 29, S 00° 13' 24" E, 45.00 feet (calculated) to a point on the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, said point being the TRUE POINT OF BEGINNING of Parcel "A" herein described;

THENCE from said TRUE POINT OF BEGINNING, easterly along said south right-of-way line, N 89° 49' 46" E, 339.01 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly and along the west line of Lot 11 as shown on the plat of Tierra Linda, a subdivision of said Pima County recorded in Book 17 of Maps and Plats at Page 92 thereof, S 00° 09' 39" E, 624.72 feet (Record), S 00° 10' 41" E, 626.26 feet (calculated), to the southwest corner thereof, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said southwest corner, easterly along the south line of Lots 11, 12, and 13 of said recorded subdivision,

N 89° 50' 21" E, 922.53 feet (Record)

N 89° 51' 90" E, 923.97 feet (calculated)

N 89° 49' 46" E, 925.11 feet (measured) to the southeast corner of said Lot 13, marked by a 1/2" diameter rebar with registration tag RLS 15933;

THENCE leaving said southeast corner, southerly along the west right-of-way line of Socorro as shown on the plat of said Tierra Linda

S 00° 16' 51" E, 1465.00 feet (Record)

S 00° 17' 12" E, 1465.00 feet (calculated)

S 00° 15' 53" E, 1465.55 feet (measured) to the northeast corner of a parcel recorded in Docket 11488 at Page 4197 thereof, records of said Pima County, marked by a 1/2" rebar;

THENCE leaving said northeast corner, westerly along the north line of said recorded parcel and the westerly prolongation thereof, S 89° 50' 21" W (Record), S 89° 51' 38" W, 926.57 feet (calculated) to a point thereon;

THENCE leaving said north line, northwesterly, N 33° 16' 52" W, 276.55 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 181.14 feet to a calculated point;

THENCE leaving said point southeasterly S 85° 57' 43" E, 104.77 feet to a calculated point;

THENCE leaving said point, northwesterly, N 06° 20' 24" W, 282.28 feet to a calculated point;

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THENCE leaving said point, southwesterly, S 73° 29' 57" W, 99.62 feet to a calculated point;

THENCE leaving said point, northwesterly, N 16° 37' 32" W, 226.98 feet to a calculated point;

THENCE leaving said point, southwesterly, S 68° 10' 39" W, 198.23 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1015.13 feet to a point thereon;

THENCE leaving said point, northerly, N 00° 11' 46" W, 430.00 feet to a calculated point;

THENCE leaving said point, westerly, S 89° 48' 14" W, 93.91 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 47" W, 430.00 feet to a calculated point;

THENCE leaving said point, easterly, N 89° 48' 14" E, 820.00 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 428.00 feet to a calculated point on the south right of way line of said Emigh Road, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, easterly along said right-of-way line, N 89° 48' 11" E, 370.70 feet to the TRUE POINT OF BEGINNING;

CONTAINING 69.18 acres of land [M/L], subject to and together with all matters of public record.

#### Parcel B

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the southwest corner of the north half of said Section 29, marked by a ½" diameter rebar with registration tag RLS 4399 and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, northerly along the measured west line of the northwest quarter of said Section 29, N 00° 13' 13" W, 868.89 feet to a calculated point thereon;

THENCE leaving said west line, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1505.18 feet to a point thereon;

THENCE leaving said parallel line, northerly, N 00° 11' 46" W, 440.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 1053.13 feet to a point thereon;

THENCE leaving said parallel line, northeasterly, N 68° 10' 39" E, 198.23 feet to a calculated point;

THENCE leaving said point, southeasterly, S 16° 37' 32" E, 226.98 feet to a calculated point;

THENCE leaving said point, northeasterly, N 73° 29' 57" E, 99.62 feet to a calculated point;

THENCE leaving said point, southeasterly, S 06° 20' 24" E, 282.28 feet to a calculated point;

THENCE leaving said point, northwesterly, N 85° 57' 43" W, 104.77 feet to a calculated point;

THENCE leaving said point, southerly, S 00° 11' 46" E, 181.14 feet to a calculated point;

THENCE leaving said point, southeasterly, S 33° 16' 52" E, 276.55 feet to a calculated point on the north line of a parcel of land recorded in Docket 11535 at Page 2479, records of said Pima County;

THENCE leaving said point, westerly along said north line, S 89° 51' 38" W, 308.11 feet (calculated), S 89° 51' 12" W, 306.50 feet (measured) to the northwest corner of said recorded parcel, marked by a ½" rebar;

THENCE leaving said northwest corner, southerly along the west line of said recorded parcel, S 00° 12' 16" E, 509.00 feet (Record), S 00° 13' 24" E, 509.00 feet (calculated), S 00° 02' 30" E, 508.96 feet (measured), to a point on the south line of the north half of said Section 29, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, westerly along said south line, S 89° 50' 21" W, 2671.64 feet (Record), S 89° 51' 08" W, 2670.84 feet (calculated) to the POINT OF BEGINNING of Parcel "B" herein described;

CONTAINING 68.99 acres of land [M/L]; subject to and together with all matters of public record.

## Parcel C

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the northwest corner of said Section 29, marked by an accepted 1.5" diameter open iron pipe with Pima County Highway Department reference ties;

THENCE from said point of beginning, southerly along the measured west line of the northwest quarter of said Section 29, S 00° 13' 13" E, 45.00 feet to the TRUE POINT OF BEGINNING of Parcel "C" herein described, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE from said TRUE POINT OF BEGINNING, leaving said west line, easterly along the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per said plat of Tierra Linda), 2270.00 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly, S 00° 11' 46" E, 428.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 820.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 47" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 93.91 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 38.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 440.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 1505.18 feet to a calculated point on the measured west line of the northwest quarter of said Section 29;

THENCE leaving said parallel line, northerly along said west line, N 00° 13' 13" W, 1728.00 feet to the TRUE POINT OF BEGINNING;

CONTAINING 67.05 acres of land [M/L]; subject to and together with all matters of public record.

# **Appendix “C”**

**Tierra Linda Homeowners Association, Inc.  
(Map)**

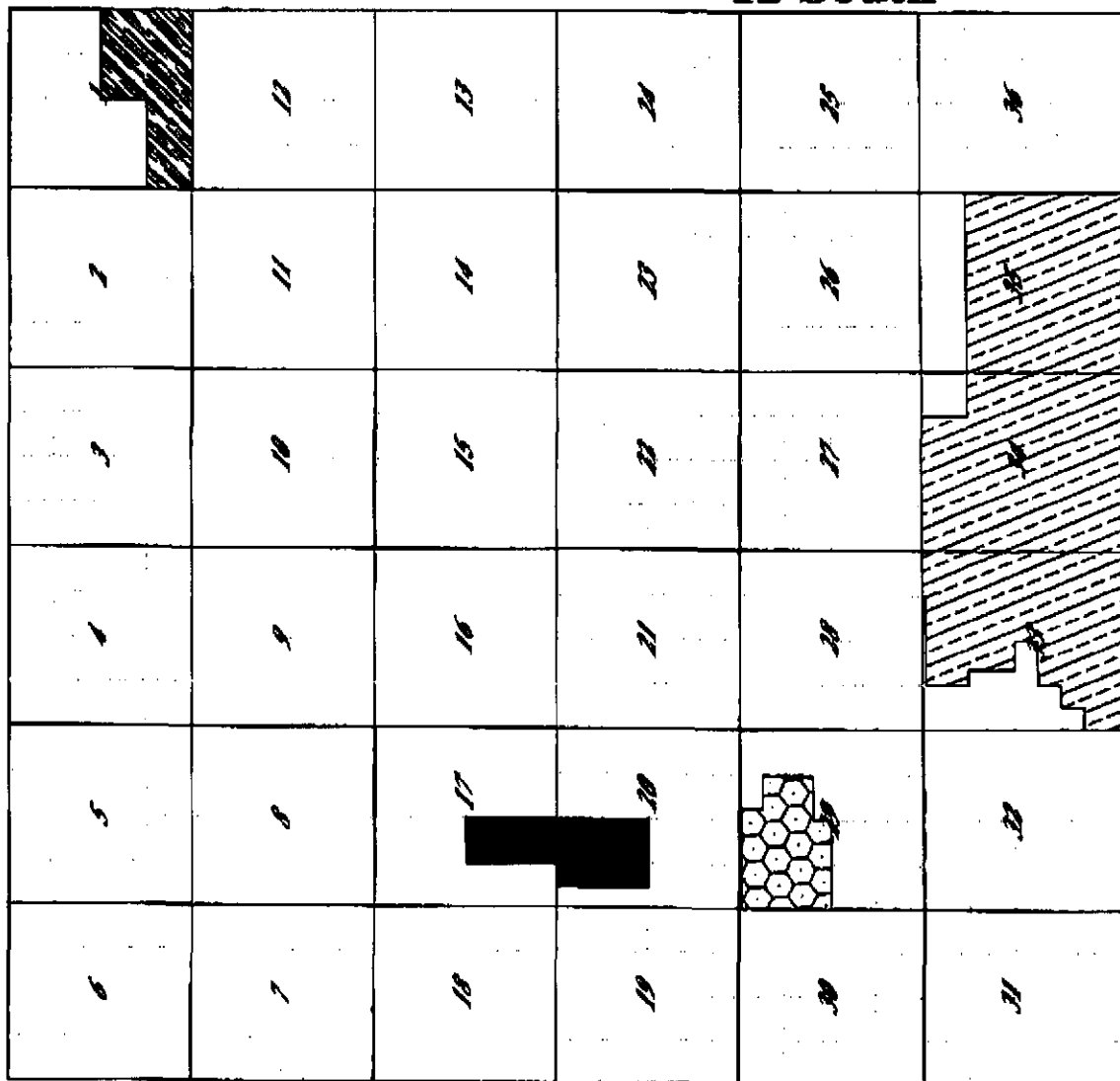
**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

Map No. 10

# COUNTY: Pima

## RANGE 11 East

## TOWNSHIP 12 South



- W-2126 (2)  
Avra Water Cooperative, Inc.
- W-4236 (1)  
Tierra Linda Homeowners Association, Inc.
- (4)  
Cortaro-Marana Irrigation District
- (4)  
Town of Marana (Nonjurisdictional)  
(Palo Verde System)



# **Appendix “D”**

**Tierra Linda Homeowners Association, Inc.  
(Tierra Linda Development, L.L.C.  
Facilities Agreement for Developer-Installed  
On-Site and Off-Site Facilities)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

**WATER MAIN EXTENSION AGREEMENT  
FOR DEVELOPER-INSTALLED, ON-SITE AND OFF-SITE FACILITIES  
for the  
Tierra Linda Nueva  
Phase 1 and Phase 2 Onsite and Offsite**

THIS WATER MAIN EXTENSION AGREEMENT (this "Agreement") is entered into as of the 10 day of JUNE 2009, by and between the TIERRA LINDA HOMEOWNERS ASSOCIATION, INC., an Arizona corporation (hereinafter referred to as the "Company"), and TIERRA LINDA DEVELOPMENT, LLC, an Arizona limited liability company (hereinafter referred to as "Applicant").

**RECITALS:**

A. Company holds a Certificate of Convenience and Necessity from the Arizona Corporation Commission ("ACC") to provide water service in and around Tierra Linda Nueva, including Lot Nos. 50-56, 64-119, and 177-190 ("Phase 1"), and Lot Nos. 35-49, 57-63, and 151-176 (Phase 2") as more specifically described on Exhibit A attached hereto and incorporated herein by this reference (collectively the "Property"); and

B. Certain on-site and off-site water facilities have been designed, constructed, installed and connected to Company's system in order to permit Company to deliver adequate water service to the Property; and

C. Applicant is the sole beneficiary of Title Security Agency of Arizona Trust No. 939, which is fee title owner of the Property, and, having developed the Property, Applicant has financed, designed, installed and constructed the necessary on-site and off-site water facilities pursuant to its request of Company to provide water service to the Property, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Facilities to be Constructed: This Agreement governs the construction, installation and financing of the Water Facilities set forth in engineering plans WATER DISTRIBUTION SYSTEM TO SERVE PHASE I, Lots 50-56, 64-119, and 177-190, Chris Brozek, Engineer, dated 10/15/04, WATER DISTRIBUTION SYSTEM TO SERVE PHASE II, Lots 35-49, 57-63, and 151-176, Chris Brozek, Engineer, dated October 15, 2004, AND TIERRA LINDA WATER PLANT, Westland Resources, Engineer, dated April 16, 2004, incorporated herein by this reference as Exhibit B (the "Plans"), as modified in final engineering plans approved by Company, the ACC, the Arizona Department of Environmental Quality ("ADEQ") or its delegatee and/or such other governmental agency, if any, having authority to review and approve the engineering plans. Such modifications shall be deemed to amend the Plans and are incorporated herein by reference. The on-site and off-site facilities constructed pursuant to the Plans are hereinafter referred to as the "Water Facilities." Any additional lines, or water facilities necessary to provide adequate water service to the Property, or any portion thereof, are beyond the scope of this Agreement and will be the subject matter of separate and distinct agreements.

2. Applicant to Construct and Pay: Applicant has designed, constructed and installed the Water Facilities and paid all of the costs related thereto, and has completed

and paid the costs of engineering, computer modeling analysis, materials, labor, transportation, equipment, regulatory fees, special assessments, excise charges, taxes (excluding property taxes) or surcharges, regulatory fees, necessary permits, easements, inspections, administrative overhead, attorney's fees, approvals, testing, correction, insurance and bonds.

3. Advance in Aid of Construction. Upon the mutual execution of this Agreement, the Applicant shall convey the Water Facilities to Company, and pay Company One Hundred Dollars (\$100.00), as and for Company's costs. The actual expenses incurred by Applicant in the construction of the Water Facilities together with Company's costs, as supported by documentation as required by Paragraph 5, shall be deemed as follows: (i) Five Hundred Forty-Nine Thousand Six Hundred Eighty-Five Dollars (\$549,685) as advances-in-aid of construction, (ii) Two Hundred Six Thousand Three Hundred Twenty-Six Dollars (\$206,326) as contributions-in-aid of construction, and (iii) One Hundred Eight-Six Thousand Seven Hundred Twenty-Three Dollars (\$186,723) as equity. The aforesaid Five Hundred Forty-Nine Thousand Six Hundred Eighty-Five Dollars (\$549,685) of advances-in-aid of construction shall be subject to the prospect of refund pursuant to Paragraph 6 hereof.

4. Actual Costs Shall Govern: The total cost of the Water Facilities is One Million Fifty-Eight Thousand Three Hundred Fifty-Nine Dollars (\$1,058,359) as shown on Exhibit C. Applicant has paid the actual cost of the Water Facilities, and agrees to provide Company with as-built costs, together with all receipts in connection therewith, upon the execution of this Agreement.

5. Documentation: Applicant has, as a condition of acceptance of the Water Facilities by Company, furnished Company with:

- 5.1 copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water Facilities;
- 5.2 lien waivers and releases from contractors, subcontractors and vendors for materials, labor, equipment, supplies and construction included in Water Facilities;
- 5.3 receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water Facilities;
- 5.4 "as-built" drawings certified as to correctness by an engineer registered in the State of Arizona and approved by Company, and showing the location and respective sizes of Water Facilities; and
- 5.5 all easements, bills of sale, deeds and other evidences of ownership, and/or right to operate, maintain, repair and replace the Water Facilities requested by Company.

6. Refund of Advance: Applicant's costs for the construction and installation of the Water Facilities, to be advanced by Applicant to Company pursuant to this Agreement and evidenced by invoices furnished to Company pursuant to Paragraph 4 hereof, are subject to refund by Company to Applicant, in accordance with this section. Company shall make refunds annually on or before August 31, for the preceding July 1, through June 30 period. The amount to be refunded annually shall be ten percent (10%) of revenues (excluding all gross receipts collected as sales taxes, franchise fees and/or any other assessment, fee, tax or charge imposed by a state, federal or local governmental body or

pursuant to a cost adjustment mechanism approved by the ACC) derived from the provision of water served from each customer service line of each customer located within the Property leading up to and taken from water mains installed by Applicant pursuant to this Agreement. Refunds for revenues received from customers receiving water from the facilities constructed pursuant to this agreement shall be payable for a period of ten (10) years commencing on the Effective Date of this Agreement. In no event shall the funds paid hereunder exceed the total amounts paid by Applicant as advances-in-aid-of-construction pursuant to this Agreement. Any balance remaining at the end of the ten (10) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced by Applicant pursuant to this Agreement.

7. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

8. Governmental Approvals: Applicant shall pay for and provide to Company copies of all requisite permits, highway construction permits, zoning and other governmental approvals, as required, and necessary for Applicant to install, construct and maintain the Water Facilities, including the Approval(s) To Construct and Approval(s) of Construction issued by the Pima County Department of Environmental Quality, attached hereto as Exhibit "D", and the Water Use Data Sheet attached as Exhibit "E".

9. Provision and Use of Easements: Applicant shall, at no cost to and in a form acceptable to Company, furnish Company any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the sole discretion of Company. In addition, Company shall have the right to use any of the existing or future dedications, easements, or recorded rights-of-way on the Property in furtherance of the proper provision of utility service by Company.

10. Time of Construction: Applicant and Company acknowledge that construction of the Water Facilities has been completed as of the Effective Date of this Agreement.

11. Contractor's License: Applicant and Company acknowledge that all construction, installation and connection of Water Facilities has been done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

12. Construction Standards: The Applicant and Company acknowledge that the size, design, type and quality of materials are in accordance with good utility practices and the requirements of Company (as identified on or before the date of this Agreement or as attached as Exhibit B), the rules, regulations, orders and requirements of the ACC, ADEQ and any other public agency having jurisdiction thereover, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona Department of Health Services Bulletins No. 8 and No. 10. Additionally, all of said plans and specifications meet or exceed the standards and specifications of the Pima County Health Department, and are hereby approved by the Company. The Water Facilities have been designed and constructed with sufficient capacity

to accommodate the water service requirement of the Property, including fire flow requirements imposed by a governmental entity.

13. Inspection and Testing: Applicant has complied with the inspection and testing requirements of Company, and Company acknowledges that any governmental agency having jurisdiction over the construction, installation and connection of the Water Facilities have approved the Water Facilities.

14. Acceptance of Facilities: The Water Facilities will be deemed accepted as of the date that this Agreement is entered upon by Applicant and Company.

15. Risk of Loss: All risk of loss shall be with Applicant until the effective date of this Agreement.

16. Title to Property: The Water Facilities constructed pursuant to this Agreement shall become the property of Company upon the effective date of this Agreement, and shall remain the sole property of Company without the requirement of further written documents of transfer. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method herein described. However, Applicant shall furnish any document pertaining to ownership and title as may reasonably be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

17. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement were new at the time of installation, and that the Water Facilities are of good quality, free from faults and defects. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water Facilities.

18. Indemnification:

18.1 Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith. In case any suit or other proceeding shall be brought on account of Applicant's action or inaction, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein;

18.2 Company shall indemnify and hold harmless Applicant, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Company, its agents, servants, employees, contractors or subcontractors in the execution of Company's obligations under this Agreement or in connection therewith. In case any suit or other proceeding shall be brought

on account Company's action or inaction, Company will assume the defense at Company's own expense and will pay all judgments rendered therein;

18.3 The provisions of this Paragraph shall survive termination of this Agreement.

19. Water Service: Upon Applicant complying fully with this Agreement, including receiving Company's written acceptance of the Water Facilities, and obtaining all requisite governmental approvals to sell lots within the Property, Company agrees to offer domestic water service to the Property. Water service shall be offered in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC, as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY OR OBLIGATION TO PROVIDE WATER AT A SPECIFIC PRESSURE OR GALLONS-PER-MINUTE FLOW RATE AT ANY FIRE STANDPIPE, OR FIRE HYDRANT, OR FOR FIRE PROTECTION SERVICE. IN THE EVENT FIRE PROTECTION SERVICE IS INTERRUPTED, IRREGULAR, DEFECTIVE, OR FAILS FROM CAUSES BEYOND THE COMPANY'S CONTROL OR THROUGH ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS, THE COMPANY WILL NOT BE LIABLE FOR ANY INJURIES OR DAMAGES ARISING THEREFROM.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water Facilities as required hereunder; Applicant has secured all governmental approvals required hereunder or as a condition to the sale and/or occupancy of the subdivided lots; construction of the Water Facilities has been completed and accepted in writing by Company, and Applicant has paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water Related Facilities covered by this Agreement.

20. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein and limits water using features.

21. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

22. Communication: Communications hereunder shall be sent to Applicant addressed as follows:

Tierra Linda Development, LLC  
6262 N. Swan Rd., Suite 125  
Tucson, AZ 85718

or to such other addresses or addressees as Applicant may advise Company in writing, and to Company at:

Tierra Linda Homeowners Association, Inc.  
c/o Tierra Linda Homeowners Association Water Company  
PO Box 69868  
Tucson, AZ 85737

or to such other addresses or addressees as Company may advise Applicant in writing.

23. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall only assign its rights, obligations and interests in this Agreement to a successor-in-interest that agrees in writing to assume all of Applicant's obligations to Company under this Agreement.

24. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or equity. No action or failure to act by Company or Applicant shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any action or failure to act constitute an approval of or acquiescence in any breach, except as may be specifically agreed in writing.

25. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

26. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or covenant of this Agreement by any party shall be limited to the particular instance and shall not be deemed to waive future breaches of the other party of the same or other terms, conditions or covenants.

27. Counterparts: This Agreement may be executed in any number of counterparts, and all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

28. Effective Date: This Agreement shall have no force or effect whatsoever and shall not be binding upon Company or Applicant until such time as it is executed by all parties and approved by the staff of the Utilities Division of the Commission.

29. Authority to Execute: Each party warrants and represents that it has lawful authority to execute this Agreement and to perform all acts required hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

**COMPANY**

Tierra Linda Homeowners Ass'n, Inc.  
an Arizona public service corporation

By: ROBERT P. ZAMMIT

Title: PRESIDENT

Date: 6/23/09

Approved: [Signature]

Date: \_\_\_\_\_

Utilities Division:  
Arizona Corporation Commission

**APPLICANT**

Tierra Linda Development, LLC,  
an Arizona limited liability  
company

By: ROBERT P. ZAMMIT

Title: MANAGER

Date: 6/23/09

Approved: [Signature]

**ACKNOWLEDGMENTS**

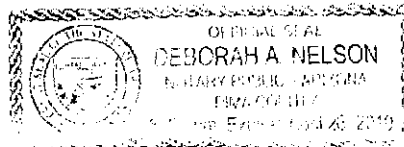
STATE OF ARIZONA     )  
                                          ) ss.  
COUNTY OF PIMA     )

On this 23 day of JUNE, 2009, before me, the undersigned, a Notary Public, personally appeared ROBERT P. ZAMMIT who acknowledged himself to be the MANAGER of TIERRA LINDA DEVELOPMENT, LLC, an Arizona limited liability company, and that he/she as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

My Commission Expires: \_\_\_\_\_

[Signature] Notary Public



STATE OF ARIZONA     )  
                                          ) ss.  
COUNTY OF PIMA     )

On this 23 day of JUNE, 2009, before me, the undersigned, a Notary Public, personally appeared ROBERT P. ZAMMIT who acknowledged himself to be the PRESIDENT of TIERRA LINDA HOMEOWNERS ASSOCIATION, INC., an Arizona corporation, and that he/she as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.



IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

My Commission Expires:



Notary Public

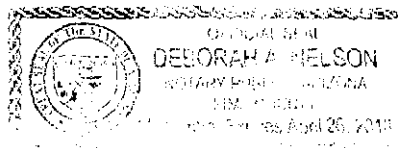


Exhibit "A"

[Legal description of the Subdivision follows  
behind this page]

Lots 1 through 190 and Common Areas "A" and "B" of Tierra Linda Nueva, according to the Map or Plat thereof of record in the Office of the County Recorder, Pima County, Arizona, in Book 59 of Maps and Plats, Page 3.

## PARCEL A

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the north quarter corner of said Section 29, marked by a General Land Office brass capped pipe and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, southerly along west line of the northeast quarter of said Section 29, S 00° 13' 24" E, 45.00 feet (calculated) to a point on the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, said point being the TRUE POINT OF BEGINNING of Parcel "A" herein described;

THENCE from said TRUE POINT OF BEGINNING, easterly along said south right-of-way line, N 89° 49' 46" E, 339.01 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly and along the west line of Lot 11 as shown on the plat of Tierra Linda, a subdivision of said Pima County recorded in Book 17 of Maps and Plats at Page 92 thereof, S 00° 09' 39" E, 624.72 feet (Record), S 00° 10' 41" E, 626.26 feet (calculated), to the southwest corner thereof, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said southwest corner, easterly along the south line of Lots 11, 12, and 13 of said recorded subdivision,

N 89° 50' 21" E, 922.53 feet (Record)

N 89° 51' 90" E, 923.97 feet (calculated)

N 89° 49' 46" E, 925.11 feet (measured) to the southeast corner of said Lot 13, marked by a 1/2" diameter rebar with registration tag RLS 15933;

THENCE leaving said southeast corner, southerly along the west right-of-way line of Via Socorro as shown on the plat of said Tierra Linda

S 00° 16' 51" E, 1465.00 feet (Record)

S 00° 17' 12" E, 1465.00 feet (calculated)

S 00° 15' 53" E, 1465.55 feet (measured) to the northeast corner of a parcel recorded in Docket 11488 at Page 4197 thereof, records of said Pima County, marked by a 1/2" rebar;

THENCE leaving said northeast corner, westerly along the north line of said recorded parcel and the westerly prolongation thereof, S 89° 50' 21" W (Record), S 89° 51' 38" W, 926.57 feet (calculated) to a point thereon;

THENCE leaving said north line, northwesterly, N 33° 16' 52" W, 276.55 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 181.14 feet to a calculated point;

THENCE leaving said point southeasterly S 85° 57' 43" E, 104.77 feet to a calculated point;

THENCE leaving said point, northwesterly, N 06° 20' 24" W, 282.28 feet to a calculated point;

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DOCUMENT CONTROL

THENCE leaving said point, southwesterly, S 73° 29' 57" W, 99.62 feet to a calculated point;

THENCE leaving said point, northwesterly, N 16° 37' 32" W, 226.98 feet to a calculated point;

THENCE leaving said point, southwesterly, S 68° 10' 39" W, 198.23 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1015.13 feet to a point thereon;

THENCE leaving said point, northerly, N 00° 11' 46" W, 430.00 feet to a calculated point;

THENCE leaving said point, westerly, S 89° 48' 14" W, 93.91 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 47" W, 430.00 feet to a calculated point;

THENCE leaving said point, easterly, N 89° 48' 14" E, 820.00 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 428.00 feet to a calculated point on the south right of way line of said Emigh Road, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, easterly along said right-of-way line, N 89° 48' 11" E, 370.70 feet to the TRUE POINT OF BEGINNING;

CONTAINING 69.18 acres of land [M/L], subject to and together with all matters of public record.

#### Parcel B

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the southwest corner of the north half of said Section 29, marked by a ½" diameter rebar with registration tag RLS 4399 and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, northerly along the measured west line of the northwest quarter of said Section 29, N 00° 13' 13" W, 868.89 feet to a calculated point thereon;

THENCE leaving said west line, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1505.18 feet to a point thereon;

THENCE leaving said parallel line, northerly, N 00° 11' 46" W, 440.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 1053.13 feet to a point thereon;

THENCE leaving said parallel line, northeasterly, N 68° 10' 39" E, 198.23 feet to a calculated point;

THENCE leaving said point, southeasterly, S 16° 37' 32" E, 226.98 feet to a calculated point;

THENCE leaving said point, northeasterly, N 73° 29' 57" E, 99.62 feet to a calculated point;

THENCE leaving said point, southeasterly, S 06° 20' 24" E, 282.28 feet to a calculated point;

THENCE leaving said point, northwesterly, N 85° 57' 43" W, 104.77 feet to a calculated point;

THENCE leaving said point, southerly, S 00° 11' 46" E, 181.14 feet to a calculated point;

THENCE leaving said point, southeasterly, S 33° 16' 52" E, 276.55 feet to a calculated point on the north line of a parcel of land recorded in Docket 11535 at Page 2479, records of said Pima County;

THENCE leaving said point, westerly along said north line, S 89° 51' 38" W, 308.11 feet (calculated), S 89° 51' 12" W, 306.50 feet (measured) to the northwest corner of said recorded parcel, marked by a ½" rebar;

THENCE leaving said northwest corner, southerly along the west line of said recorded parcel, S 00° 12' 16" E, 509.00 feet (Record), S 00° 13' 24" E, 509.00 feet (calculated), S 00° 02' 30" E, 508.96 feet (measured), to a point on the south line of the north half of said Section 29, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, westerly along said south line, S 89° 50' 21" W, 2671.64 feet (Record), S 89° 51' 08" W, 2670.84 feet (calculated) to the POINT OF BEGINNING of Parcel "B" herein described;

CONTAINING 68.99 acres of land [M/L]; subject to and together with all matters of public record.

## Parcel C

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the northwest corner of said Section 29, marked by an accepted 1.5" diameter open iron pipe with Pima County Highway Department reference ties;

THENCE from said point of beginning, southerly along the measured west line of the northwest quarter of said Section 29, S 00° 13' 13" E, 45.00 feet to the TRUE POINT OF BEGINNING of Parcel "C" herein described, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE from said TRUE POINT OF BEGINNING, leaving said west line, easterly along the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per said plat of Tierra Linda), 2270.00 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly, S 00° 11' 46" E, 428.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 820.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 47" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 93.91 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 38.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 440.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 1505.18 feet to a calculated point on the measured west line of the northwest quarter of said Section 29;

THENCE leaving said parallel line, northerly along said west line, N 00° 13' 13" W, 1728.00 feet to the TRUE POINT OF BEGINNING;

CONTAINING 67.05 acres of land [M/L]; subject to and together with all matters of public record.

Exhibit "B"  
[Engineering Plans for the Water Facilities]







Scale 1" = 80'  
Stationing is along  
the street centerlines

Curve Data						
LINE	PI	DELTA DEGREES	RADIUS FEET	LENGTH FEET	TANGENT FEET	CHORD FEET
C1	28°-59'-37"	100.0	365.25	184.68	184.68	365.25
C2	8°-34'-44"	1000.0	26.31	26.31	26.31	26.31
C3	2°-34'-39"	300.0	554.65	141.63	141.63	256.15
C4	5°-42'-33"	300.0	221.79	116.24	116.24	216.77
C5	8°-31'-38"	800.0	119.96	59.64	59.64	119.95
C6	23°-24'-44"	250.0	116.71	59.44	59.44	116.65
C7	8°-17'-35"	600.0	140.70	70.35	70.35	140.70
C8	19°-13'-28"	650.0	218.97	116.81	116.81	218.96

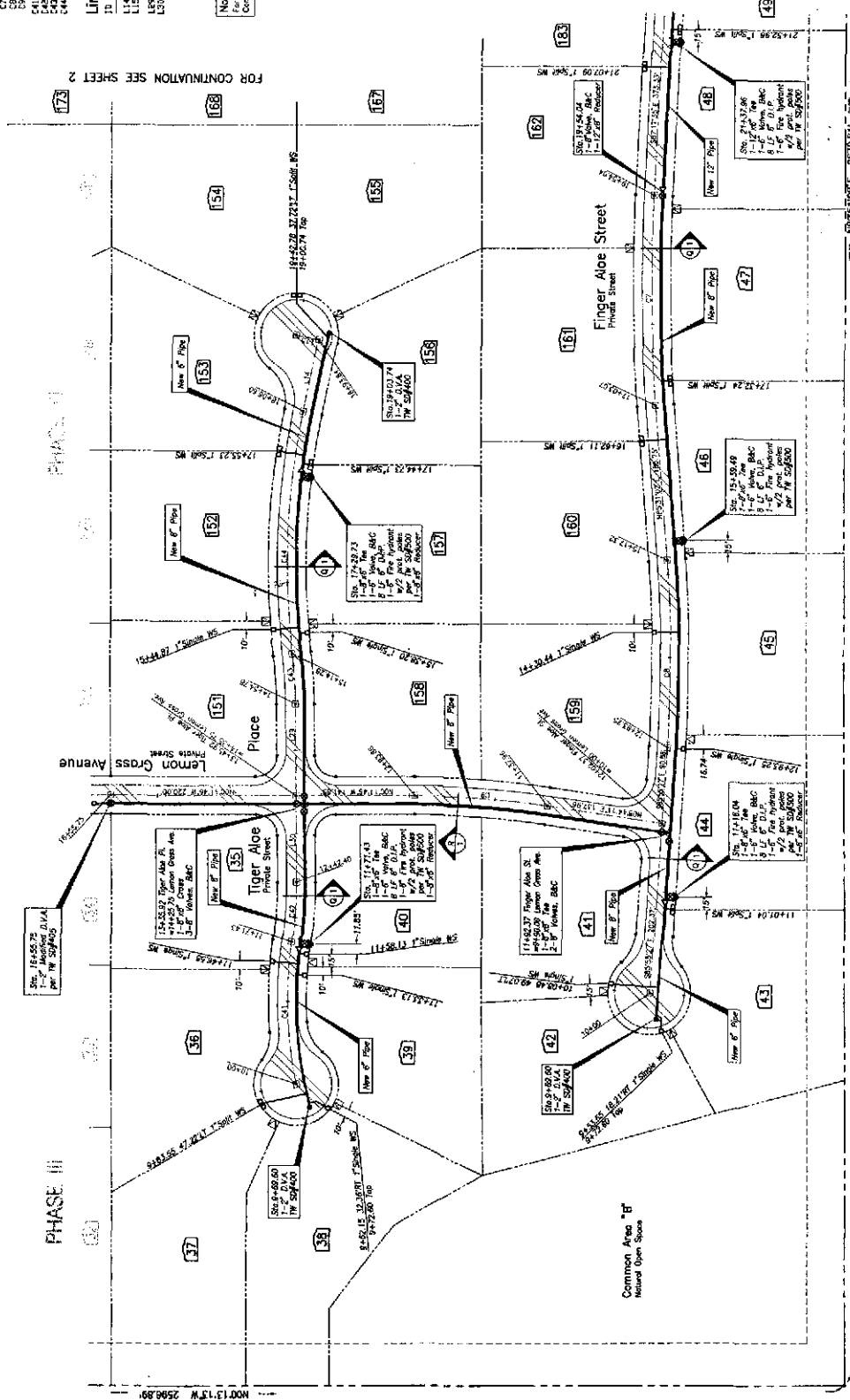


Scale 1" = 60'  
Stationing is along  
the street centerlines

Curve Data				
ID	DELTA DEGREES	RADIUS FEET	LENGTH FEET	CHORD FEET
17	91.1757	2000.00	250.97	250.89
18	6.33558	1000.00	100.00	100.00
19	6.33558	1000.00	100.00	100.00
20	19.38238	500.00	171.43	86.56
21	6.40257	500.00	79.97	79.91
22	6.40257	500.00	79.97	79.91
23	19.38238	500.00	171.43	86.56
24	19.38238	500.00	171.43	86.56

Line Data		
ID	BEARING	DISTANCE
11	N79°12'14"E	87.50'
12	N11°32'44"E	27.50'
13	N89°48'14"E	138.86'
14	N89°48'14"E	133.35'

Note to Contractor:  
For Curved Alignment  
Contact Note No.12, cover sheet



FOR CONTINUATION SEE SHEET 2

FOR CONTINUATION SEE SHEET 2

1-800-782-5348  
Blue State Center



TERRA LINDA ENGINEERS ASSOCIATION WATER COMPANY  
WATER DISTRIBUTION SYSTEM  
PHASE I  
LOBS 36-48, 57-68 and 161-176  
TERRA LINDA NUEVA  
SHEET 3 OF 4  
PLAN NO.

Sandhill Sage Place  
Private Street

Ribbon Cross Avenue  
Private Street

Finger Aloe Street  
Private Street

SCALE: 1"=40'  
30 FT  
CONTOUR INTERVAL 1'

FOR ADDITIONAL INFORMATION SEE SHEETS 2 AND 3

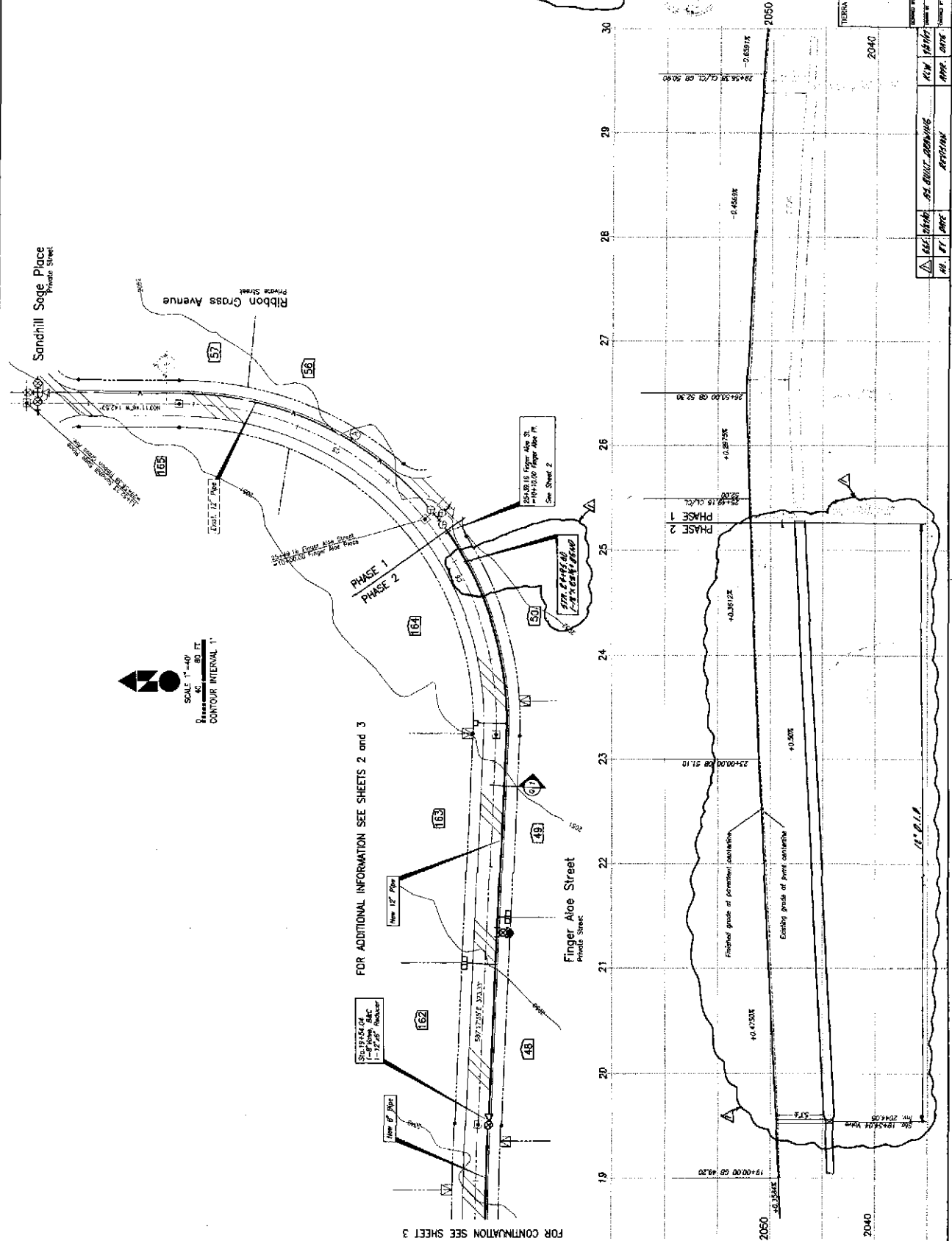
FOR CONTINUATION SEE SHEET 3

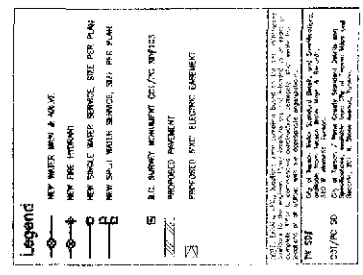
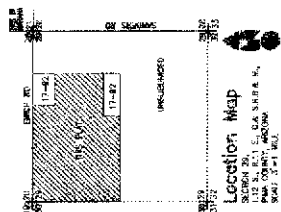


1-800-782-5348  
Blue Stone Center

TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY  
WATER DISTRIBUTION SYSTEM  
TO SERVE PHASE II  
LWS 35-49, 57-63 AND 151-176  
OF  
TIERRA LINDA NUEVA

DATE	BY	CHKD	APP'D	SCALE	SHEET	OF
7/23/04	AS-BUILT	AS-BUILT	AS-BUILT	1"=40'	4	4





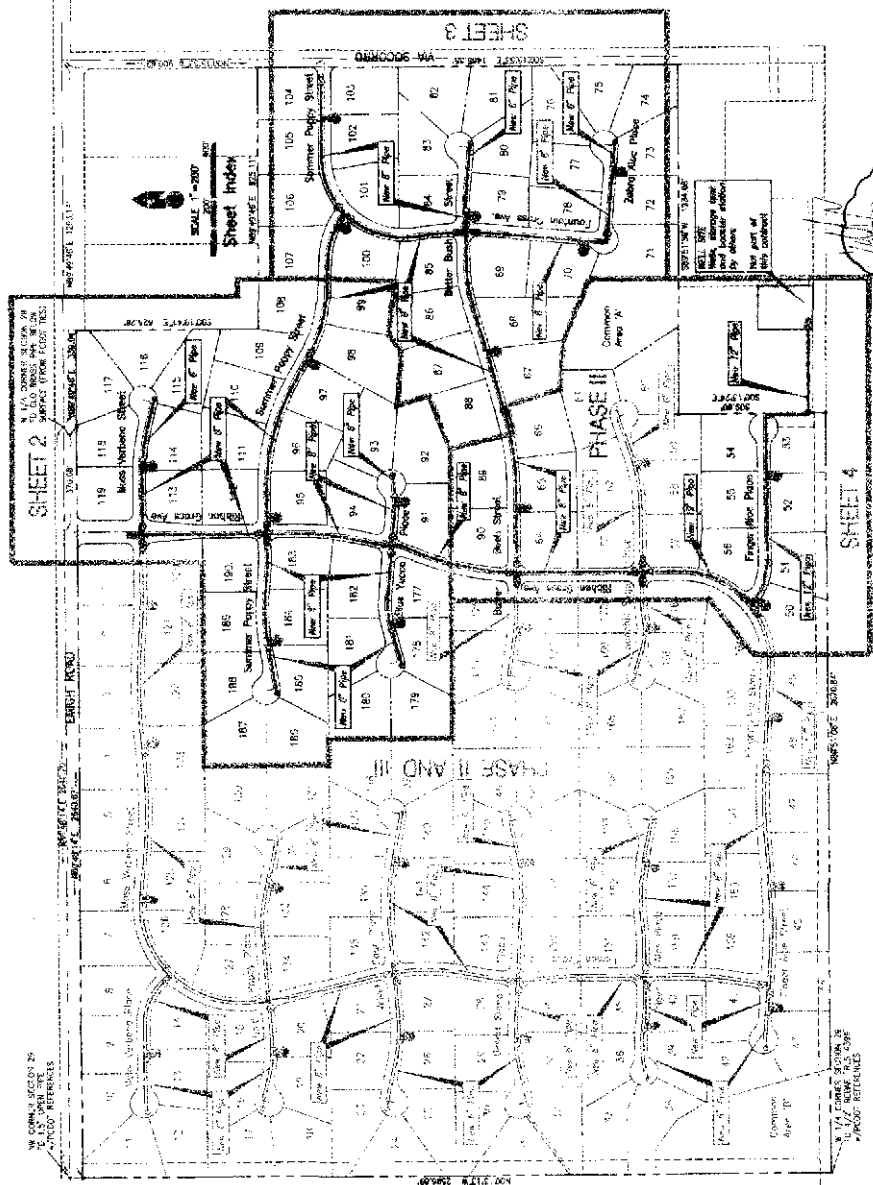
**Basis of Bearings**  
The North End of the Mainland Quarter of Section 29, Township 36N, Range 12E, T14N, R12E, is shown on the plat of Terra Lotta Lots 1-43, as recorded in Book 17 of Maps and Plats at Page 92. Bearing North 69 degrees 48 minutes 14 seconds East.

**Basis of Elevation**  
Prime County Survey point "NW-37" datum 85. 5' elevation, was introduced in concrete foundation. County survey point 901, at FCD NH-51, 1801', 571-30'W, 167' E, datum 85, corner Section 29. Elevation 2083.77' above BS.

**Owner**  
Terra Linda Homeowners Association  
C/O Developer

**Developer**  
Terra Linda Development, LLC  
Attn: Robert P. Zimmitt  
6262 N. Star Road, Suite 25  
Tucson, AZ 85718  
Phone (520) 524-1330

**CHRISTOPHER BROZEK**  
1212 N. Sawhelle Tucson, AZ 85716  
26 PR = 70000000  
526/326-3502  
ALOP PE  
Consultant

[illegible]

MS. ART DRAWING REP.  
WESTLAND RESOURCES, INC.

For working days before 9 a.m. CST  
CALL FOR THE BEST QUALITY  
**1-800-782-5348**  
Blue Stroke Center

ACCEPTED.



25/05/2014

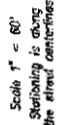
2

[illegible][illegible]

## Contract Notes

- [illegible]





**ප්‍රකාශන විෂය**

CLUSTER	NO. OF MEMBERS	CLUSTER RADIUS FEET	CLUSTER RADIUS MILES	CLUSTER LENGTH FEET	CLUSTER LENGTH MILES	CLUSTER PERCENT OF TOTAL	CLUSTER PERCENT OF TOTAL
1	26	3723.45	900.00	195.00	161.83	18.25	18.25
2	46	4124.31	1030.00	270.00	194.15	19.15	19.15
3	40	5010.35	1252.50	320.00	253.70	20.70	20.70
4	40	5111.35	1277.50	320.00	253.70	20.70	20.70
5	33	5223.99	1283.25	34.15	47.11	54.11	54.11
6	33	5111.49	1277.50	34.15	47.23	34.40	34.40
7	33	1618.16	400.00	142.25	71.63	34.40	34.40
8	33	1618.16	400.00	142.25	71.63	34.40	34.40
9	33	1618.16	400.00	142.25	71.63	34.40	34.40
10	33	1618.16	400.00	142.25	71.63	34.40	34.40
11	33	1618.16	400.00	142.25	71.63	34.40	34.40
12	33	1618.16	400.00	142.25	71.63	34.40	34.40
13	33	1618.16	400.00	142.25	71.63	34.40	34.40
14	33	1618.16	400.00	142.25	71.63	34.40	34.40
15	33	1618.16	400.00	142.25	71.63	34.40	34.40
16	33	1618.16	400.00	142.25	71.63	34.40	34.40
17	33	1618.16	400.00	142.25	71.63	34.40	34.40
18	33	1618.16	400.00	142.25	71.63	34.40	34.40
19	33	1618.16	400.00	142.25	71.63	34.40	34.40
20	33	1618.16	400.00	142.25	71.63	34.40	34.40
21	33	1618.16	400.00	142.25	71.63	34.40	34.40
22	33	1618.16	400.00	142.25	71.63	34.40	34.40
23	33	1618.16	400.00	142.25	71.63	34.40	34.40
24	33	1618.16	400.00	142.25	71.63	34.40	34.40
25	33	1618.16	400.00	142.25	71.63	34.40	34.40
26	33	1618.16	400.00	142.25	71.63	34.40	34.40
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32	33	1618.16	400.00	142.25	71.63	34.40	34.40
33	33	1618.16	400.00	142.25	71.63	34.40	34.40
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40	33	1618.16	400.00	142.25	71.63	34.40	34.40
41	33	1618.16	400.00	142.25	71.63	34.40	34.40
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43	33	1618.16	400.00	142.25	71.63	34.40	34.40
44	33	1618.16	400.00	142.25	71.63	34.40	34.40
45	33	1618.16	400.00	142.25	71.63	34.40	34.40
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49	33	1618.16	400.00	142.25	71.63	34.40	34.40
50	33	1618.16	400.00	142.25	71.63	34.40	34.40
51	33	1618.16	400.00	142.25	71.63	34.40	34.40
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53	33	1618.16	400.00	142.25	71.63	34.40	34.40
54	33	1618.16	400.00	142.25	71.63	34.40	34.40
55	33	1618.16	400.00	142.25	71.63	34.40	34.40
56	33	1618.16	400.00	142.25	71.63	34.40	34.40
57	33	1618.16	400.00	142.25	71.63	34.40	34.40
58	33	1618.16	400.00	142.25	71.63	34.40	34.40
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62	33	1618.16	400.00	142.25	71.63	34.40	34.40
63	33	1618.16	400.00	142.25	71.63	34.40	34.40
64	33	1618.16	400.00	142.25	71.63	34.40	34.40
65	33	1618.16	400.00	142.25	71.63	34.40	34.40
66	33	1618.16	400.00	142.25	71.63	34.40	34.40
67	33	1618.16	400.00	142.25	71.63	34.40	34.40
68	33	1618.16	400.00	142.25	71.63	34.40	34.40
69	33	1618.16	400.00	142.25	71.63	34.40	34.40
70	33	1618.16	400.00	142.25	71.63	34.40	34.40
71	33	1618.16	400.00	142.25	71.63	34.40	34.40
72	33	1618.16	400.00	142.25	71.63	34.40	34.40
73	33	1618.16	400.00	142.25	71.63	34.40	34.40
74	33	1618.16	400.00	142.25	71.63	34.40	34.40
75	33	1618.16	400.00	142.25	71.63	34.40	34.40
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79	33	1618.16	400.00	142.25	71.63	34.40	34.40
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85	33	1618.16	400.00	142.25	71.63	34.40	34.40
86	33	1618.16	400.00	142.25	71.63	34.40	34.40
87	33	1618.16	400.00	142.25	71.63	34.40	34.40
88	33	1618.16	400.00	142.25	71.63	34.40	34.40
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90	33	1618.16	400.00	142.25	71.63	34.40	34.40
91	33	1618.16	400.00	142.25	71.63	34.40	34.40
92	33	1618.16	400.00	142.25	71.63	34.40	34.40
93	33	1618.16	400.00	142.25	71.63	34.40	34.40
94	33	1618.16	400.00	142.25	71.63	34.40	34.40
95	33	1618.16	400.00	142.25	71.63	34.40	34.40
96	33	1618.16	400.00	142.25	71.63	34.40	34.40
97	33	1618.16	400.00	142.25	71.63	34.40	34.40
98	33	1618.16	400.00	142.25	71.63	34.40	34.40
99	33	1618.16	400.00	142.25	71.63	34.40	34.40
100	33	1618.16	400.00	142.25	71.63	34.40	34.40

**Line Data**

D	WEIGHTING	DISCOUNT
0.7	1.00	0.96
0.8	1.00	0.92
0.9	1.00	0.87
1.0	1.00	0.83

**Note to Contractor**  
For drain valve assembly see  
Contract Note No. 12, cover sheet.

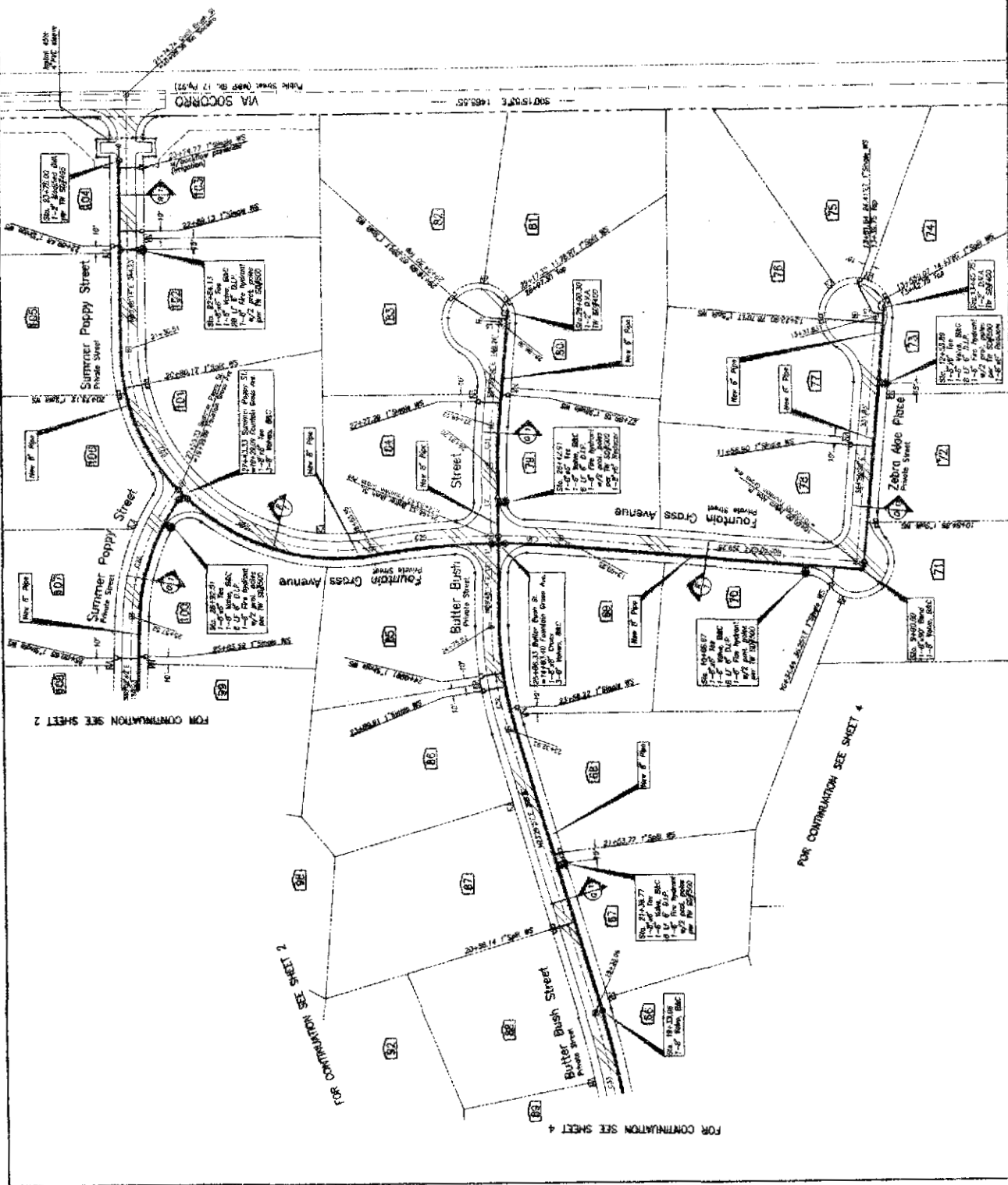


For ordering show tickets and the  
CALL FOR THE BLUE STOKES  
1-800-782-5348  
Blue Stokes Center

NATIONAL UNION HOMEOWNERS ASSOCIATION WATER COMMITTEE  
 WATER DISTRIBUTION SYSTEM  
 TO SERVE PAVAGE:

**TIERRA LINDA NUEVA.**

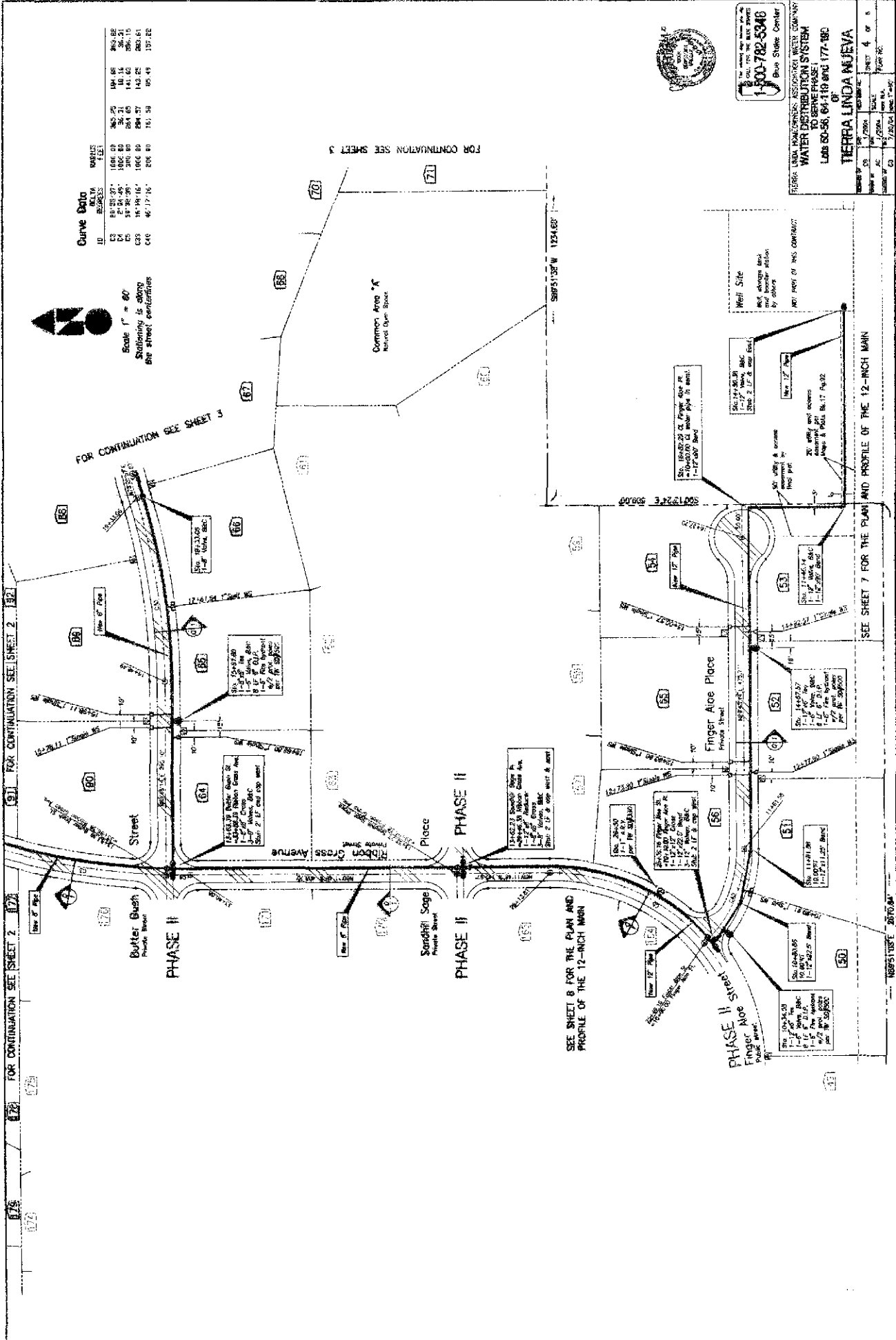
DATE	1/20/04	TIME	17:00
BY	AC	SCALE	1/2000
		SHEET NO.	3 OF 6



Curve Data

STATION	PC	PT	PI	EA	EB	EC	ED	EA	EB	EC	ED
10	845.00	850.00	847.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
11	850.00	855.00	852.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12	855.00	860.00	857.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
13	860.00	865.00	862.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
14	865.00	870.00	867.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
15	870.00	875.00	872.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
16	875.00	880.00	877.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
17	880.00	885.00	882.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
18	885.00	890.00	887.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
19	890.00	895.00	892.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
20	895.00	900.00	897.50	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Scale 1" = 80'  
Stations are along  
the street centerline



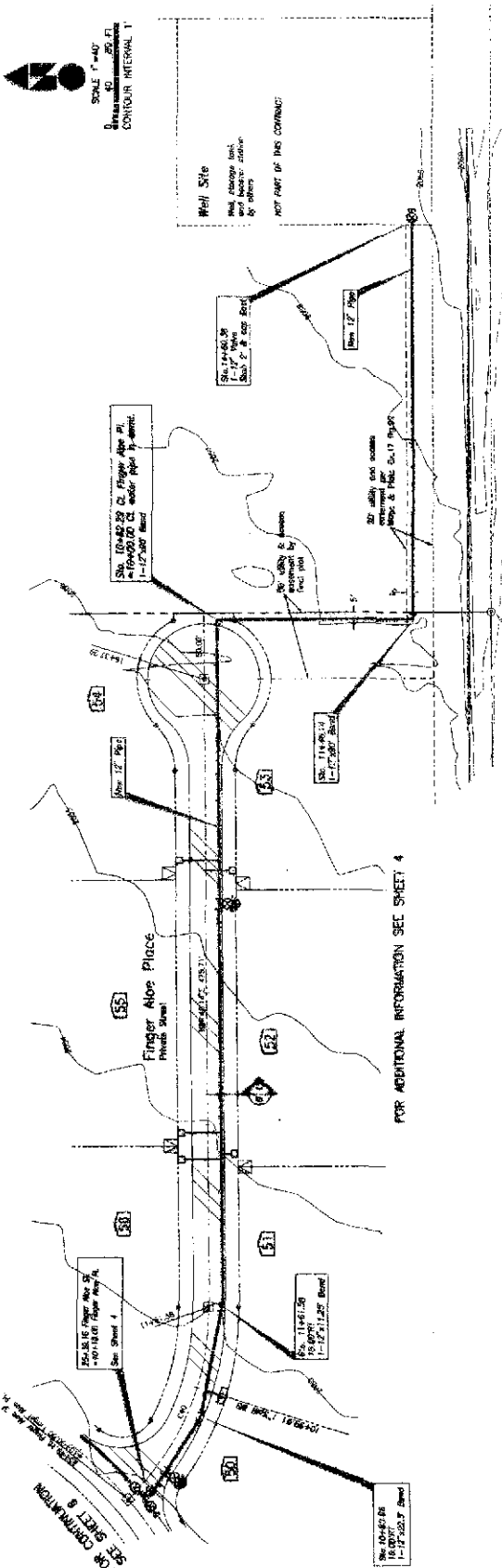
**1-800-782-5346**  
Blue State Center

**TERRA LINDA WATERWORKS ASSOCIATED WATER COMPANY**  
WATER DISTRIBUTION SYSTEM  
LOS 80-50, 64-10 and 177-80  
TERRA LINDA, NEVADA

Sheet 4 of 5  
Scale: 1" = 80'  
Date: 1/20/04

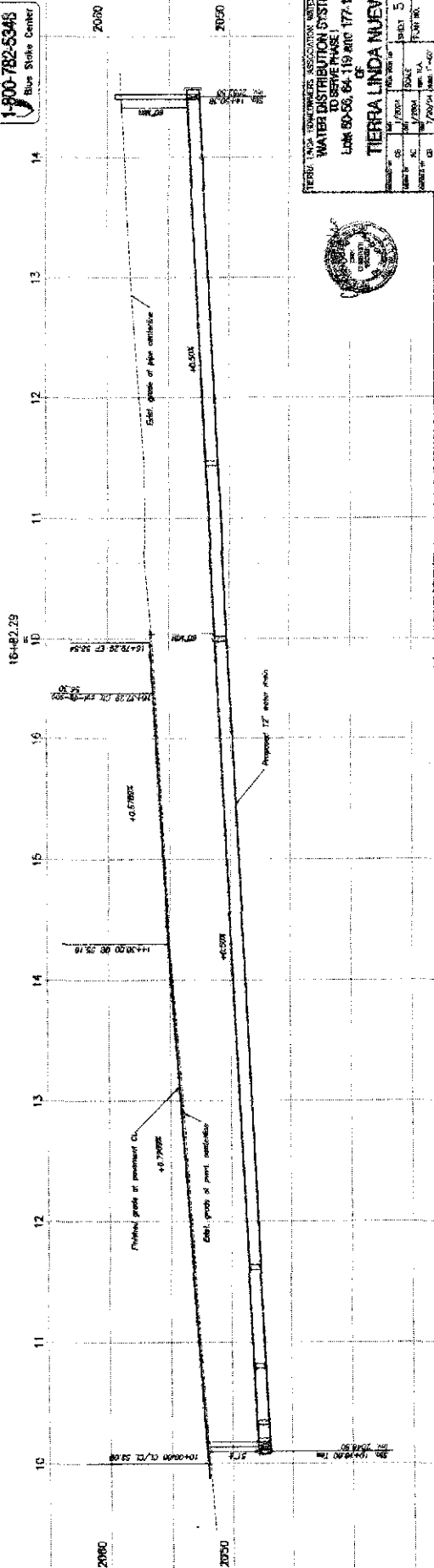


SCALE 1"=40'  
CONTOUR INTERVAL 1'



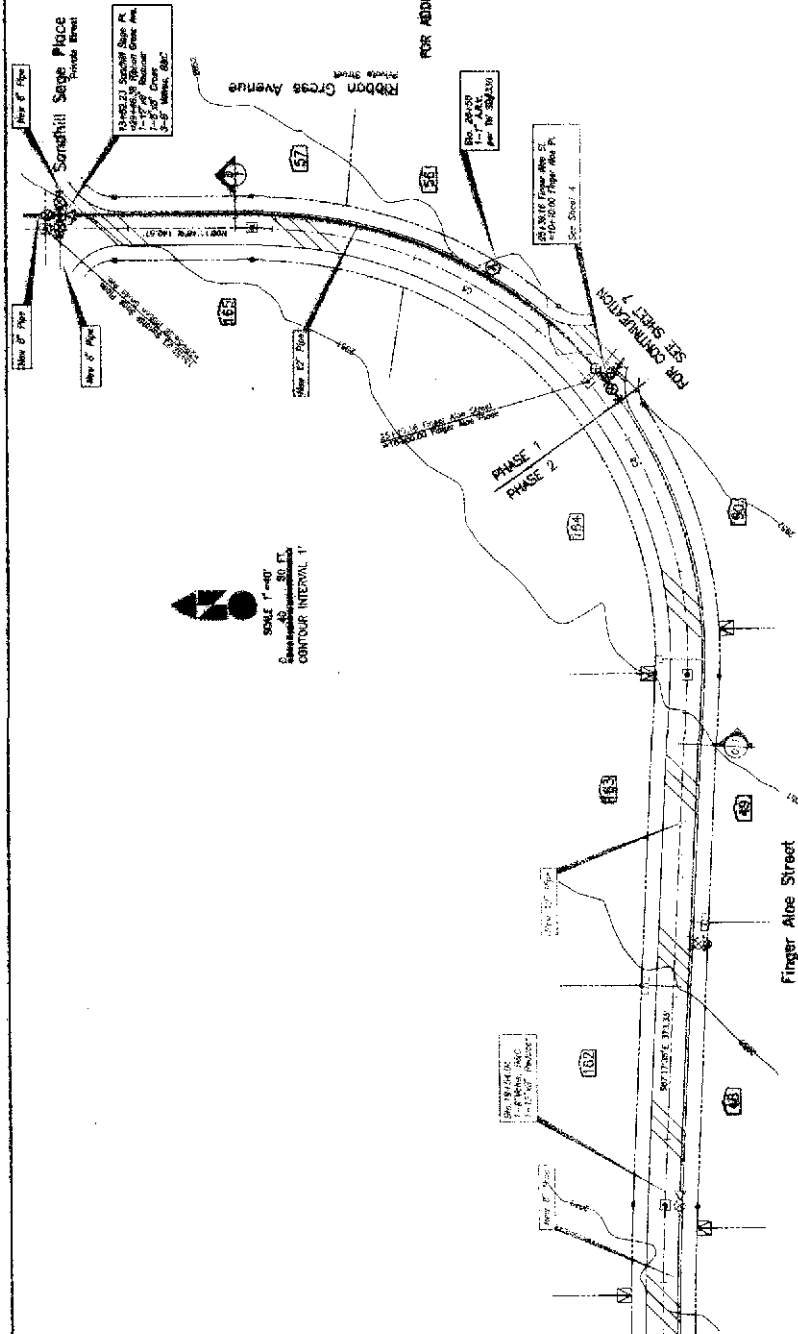
FOR ADDITIONAL INFORMATION SEE SHEET 4

1-800-782-5345  
Blue Stake Center



TERRA LINDA NUEVA WATER DISTRIBUTION SYSTEM  
TO SERVE PHASE I  
LOW 50-55, 56-119 AND 177-190  
OF  
TERRA LINDA NUEVA  
SHEET 5 OF 8  
SCALE 1"=40'  
DATE 1-1-00  
BY J. L. GARCIA  
CHECKED BY J. L. GARCIA  
APPROVED BY J. L. GARCIA





SCALE 1"=40'  
 CONTOUR INTERVAL 1'

FOR ADDITIONAL INFORMATION SEE SHEET 4



1-800-782-5348  
 Terra Linda Water District

TERRA LINDA WATER DISTRICT WATER DISTRIBUTION SYSTEM			
LOS GATOS 64-115 AND 177-180			
TERRA LINDA NUEVA			
DATE	BY	SCALE	SHEET
05/11/00	J. J. J.	1"=40'	6 OF 6
05/11/00	J. J. J.	1"=40'	6 OF 6

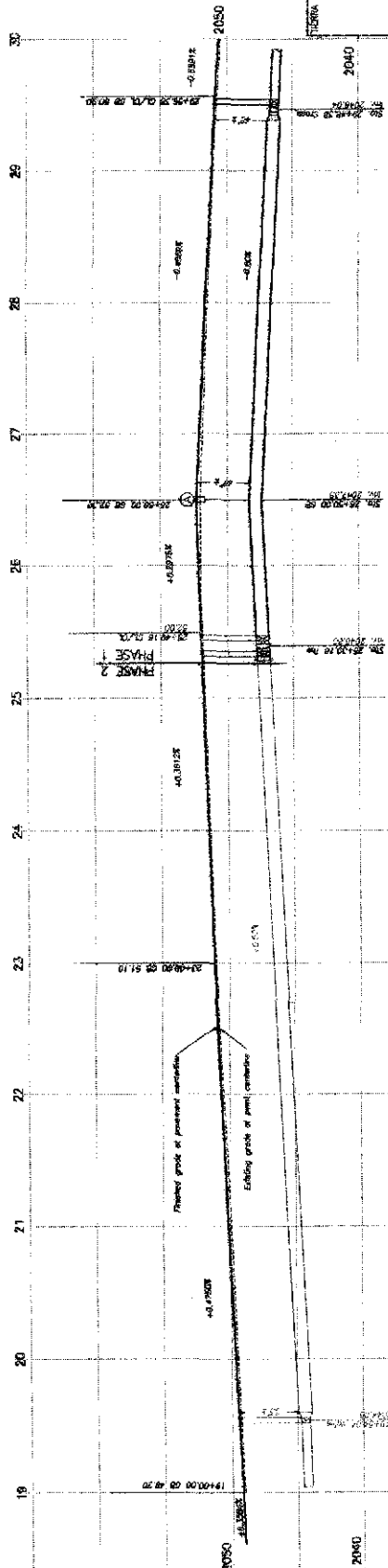


Exhibit “C”

[Construction Cost for the Water Facilities]

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	45,800	3,813	41,987
307	Wells and Springs	32,054	2,668	29,386
311	Pumping Equipment	185,397	57,937	127,460
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	195,918	10,873	185,045
331	Transmission and Distribution Mains	490,046	24,502	465,544
333	Services	35,822	2,982	32,840
334	Meters and Meter Installations	9,279	1,822	7,457
335	Hydrants	59,819	2,991	56,828
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	4,225	704	3,521
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>1,058,359</b>	<b>108,293</b>	<b>950,066</b>

This amount goes on the Balance Sheet Acct. No. 108 

Exhibit “D”

[Approval To Construct/Approval of Construction]

# Water plant

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY  
TECHNICAL SERVICES DIVISION  
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

915.05

A-8710

## APPROVAL OF CONSTRUCTION (WATER)

Project Description: INSTALLATION OF A NEW 280,000 GALLON STORAGE TANK, 1,600 -GALLON PER MINUTE BOOSTER STATION, AND AN EQUIPMENT UPGRADE OF AN EXISTING WELL (ADWR #55-801582, POE-001).

Location: T-12 -S, R-11-E, Section 29

County: PIMA

Project Owner: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

This Approval of Construction is based upon the following items:

1. Pima County Department of Environmental Quality Certificate of Approval to Construct for PDEQ File No. PO21304 signed on May 25, 2004.
2. Original sealed Engineer's Certificate of Completion, sealed on February 2, 2006 by Mark F Taylor, P.E., Certificate No. 22999, dated and submitted after the completion of construction and final inspection.
3. 10 pages of as-built plans for above-described project dated February 11, 2006, sealed by Mark F Taylor, P.E., Certificate No. 22999, and approved for construction under PDEQ File No. PO21304, sealed on April 16, 2004 by Mark F Taylor, P.E., Certificate No. 22999.
4. Test results for pressure, chlorination and microbiological, signed by Scott Strimple, dated February 1, 2006, consisting of 15 pages.

Approval to operate the above, described facilities as represented in the approved plan documents on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

1. Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.
2. The Department reserves the right of entry for State or local officials to inspect the facility and collect any samples needed to determine compliance with any standards.
3. The Project owner and each subsequent owner shall notify each buyer about all operation, maintenance, inspection and reporting requirements and all other terms and conditions of this certificate of Approval to Construct and, when issued, the certificate of APPROVAL OF CONSTRUCTION.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Date Approved: February 21, 2006

URSULA KRAMER,  
DIRECTOR

By: 

Richard Grimaldi  
Deputy Director

By: 

Mike Redmond, R.S.  
Sr. Civil Engineering Assistant

Cc: PDEQ File No: PO21304  
ADEQ, SRO  
ACC

Project Owner: Tierra Linda Homeowners  
Assoc. Water Company  
Project Engineer: Westland Resources

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY  
TECHNICAL SERVICES DIVISION  
150 West Congress, 1<sup>st</sup> Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

MAY 27 2004

CERTIFICATE OF APPROVAL TO CONSTRUCT  
Water and/or Wastewater Facilities

System Name: TIERRA LINDA WATER PLANT System No.: 10-411  
Project Owner: TIERRA LINDA DEVELOPMENT, LLC.  
Address: 6262 N. SWAN Rd., SUITE 125, TUCSON, AZ 85718  
Project Location: T- 12 -S, R- 11 -E, SECTION 29 County: PIMA  
Description: INSTALLATION OF A 280,000 GALLON STORAGE TANK, 1,600 GPM  
BOOSTER STATION, AND UPGRADE AND EQUIP A 200 GPM WELL.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA, OR A PERSON UNDER THE DIRECT SUPERVISION THEREOF, SHALL COMPLETE A FINAL INSPECTION AND SUBMIT A CERTIFICATE OF COMPLETION TO THE DEPARTMENT. AFTER COMPLETION OF CONSTRUCTION, AND ACCEPTANCE BY PIMA COUNTY, ACCURATE "AS BUILT" PLANS, AN ENGINEER'S CERTIFICATE OF COMPLETION, PRESSURE AND MICROBIOLOGICAL TESTING SHALL BE PREPARED AND SUBMITTED TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION.


The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquiries, regarding air quality activity permits, please call 740-3957.

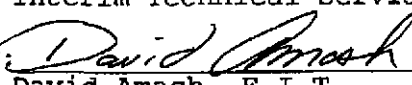
If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: MAY 25, 2004

Ursula Kramer,  
Director

By:   
Eric Shepp, P.E.  
Interim Technical Services Manager

Cc: P-File No. PO 21304  
P-ADEQ, SRO  
Tierra Linda Water HOA  
Engineer-Westland Resources

By:   
David Amash, E.I.T.  
Civil Engineering Asst.

Water Distribution

915.05

B870

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY  
TECHNICAL SERVICES DIVISION  
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

APPROVAL OF CONSTRUCTION (WATER)

Project Description: NEW WATER DISTRIBUTION SYSTEM TO SERVE TIERRA LINDA NUEVA, PHASE 1, LOTS 50-56, 64-119, AND 177-190.

Location: T-12 -S, R-11-E, Section 29 County: PIMA

Project Owner: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

This Approval of Construction is based upon the following items:

1. Pima County Department of Environmental Quality Certificate of Approval to Construct for PDEQ File No. PO06505 signed on March 7, 2005.
2. Original sealed Engineer's Certificate of Completion, sealed on February 2, 2006 by Mark F. Taylor, P.E., Certificate No. 22999, dated and submitted after the completion of construction and final inspection.
3. 6 pages of as-built plans for above-described project dated February 6, 2006, sealed by Mark F. Taylor, P.E., Certificate No. 22999, and approved for construction under PDEQ File No. PO06505, sealed on October 15, 2004 by Christoph Brozek, P.E., Certificate No. 13904.
4. Test results for pressure, chlorination and microbiological, signed by Scott Strimple, dated February 1, 2006, consisting of 11 pages.

Approval to operate the above, described facilities as represented in the approved plan documents on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

1. Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.
2. The Department reserves the right of entry for State or local officials to inspect the facility and collect any samples needed to determine compliance with any standards.
3. The Project owner and each subsequent owner shall notify each buyer about all operation, maintenance, inspection and reporting requirements and all other terms and conditions of this certificate of Approval to Construct and, when issued, the certificate of APPROVAL OF CONSTRUCTION.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Date Approved: February 21, 2006

URSULA KRAMER,  
DIRECTOR

By:   
Richard Grimaldi  
Deputy Director

Cc: PDEQ File No: PO06505  
ADEQ, SRO  
ACC

Project Owner: Tierra Linda Homeowners Assoc. W.C.  
Project Engineer: Westland Resources  
Design Engineer: Christopher Brozek

By:   
Mike Redmond, R.S.  
Sr. Civil Engineering Assistant

PIMA COUNTY DEPARTMENT ENVIRONMENTAL QUALITY  
TECHNICAL SERVICES DIVISION  
150 West Congress, 1<sup>st</sup> Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT  
Water and/or Wastewater Facilities

System Name: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

System No.: 10-411

Project Owner: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

Address: 6262 NORTH SWAN ROAD, #125, TUCSON, AZ 85718

Project Location: T-12-S, R-11-E, SECTION 29 County: PIMA

Description: NEW WATER DISTRIBUTION SYSTEM TO SERVE TIERRA LINDA NUEVA,  
PHASE 1, LOTS 50-56, 64-119, AND 177-190.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA, OR A PERSON UNDER THE DIRECT SUPERVISION THEREOF, SHALL COMPLETE A FINAL INSPECTION AND SUBMIT A CERTIFICATE OF COMPLETION TO THE DEPARTMENT. AFTER COMPLETION OF CONSTRUCTION, AND ACCEPTANCE BY PIMA COUNTY, ACCURATE "AS BUILT" PLANS, AN ENGINEER'S CERTIFICATE OF COMPLETION, PRESSURE AND MICROBIOLOGICAL TESTING SHALL BE PREPARED AND SUBMITTED TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquiries, regarding air quality activity permits, please call 740-3957.


If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: March 7, 2005

Ursula Kramer,  
Director

By:   
Eric Shepp, P.E.  
Interim Technical Services Manager

Cc: P-File No. PO06505  
P-ADEQ, SRO  
Engineer-Christopher Brozek, AICP, P.E.  
Tierra Linda Homeowners Assoc. W.C.

By:   
Mike Redmond, R.S.  
Sr. Civil Engineering Asst.



08 10 07

PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY  
ENGINEERING REVIEW UNIT  
150 West Congress, 1st Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

**APPROVAL OF CONSTRUCTION (WATER)**

Project Description: WATER EXTENSION TO SERVE TIERRA LINDA NUEVA, PHASE 2, LOTS 35-49, 57-63, 151-176

Location: T-12-S, R-11-E, Section 29 County: PIMA

Project Owner: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

This Approval of Construction is based upon the following items:

1. Pima County Department of Environmental Quality Certificate of Approval to Construct for PDEQ File No. PO06605, signed on March 7, 2005.
2. Original sealed Engineer's Certificate of Completion, sealed on July 27, 2007 by Kristen Whatley P.E., Certificate No. 45171, dated and submitted after the completion of construction and final inspection.
3. Four pages of as-built plans for above-described project dated July 27, 2007, sealed by Kristen Whatley, P.E., Certificate No. 45171, and approved for construction under PDEQ File No. PO06605, sealed on October 15, 2004 by Christoph Brozek, P.E., Certificate No. 13904.
4. Test results for pressure and microbiological, signed by Scott Strimple, dated March 16, 2007, consisting of 12 pages.

Approval to operate the above, described facilities as represented in the approved plan documents on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

1. Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.
2. The Department reserves the right of entry for State or local officials to inspect the facility and collect any samples needed to determine compliance with any standards.
3. The Project owner and each subsequent owner shall notify each buyer about all operation, maintenance, inspection and reporting requirements, and all other terms and conditions of the certificate of Approval to Construct and this certificate of Approval of Construction.

Arizona Revised Statutes require that the operation of the project must be in accordance with the rules of the Arizona Department of Environmental Quality.

Date Approved: August 14, 2007

URSULA KRAMER, P.E.  
DIRECTOR

By: David Amash

David Amash, P.E.  
Civil Engineer

cc: PDEQ File No: PO06605  
ADEQ, SRO  
ACC  
Project Owner: Tierra Linda Homeowners Assoc,  
Project Engineer: Westland Resources  
Design Engineer: Christopher Bozek, AICP, P.E.

By: Paul Strobak

Paul Strobak  
Civil Engineering Assistant

PIMA COUNTY DEPARTMENT ENVIRONMENTAL QUALITY  
TECHNICAL SERVICES DIVISION  
150 West Congress, 1<sup>st</sup> Floor, Tucson, Arizona 85701-1317  
Telephone: 740-3340

CERTIFICATE OF APPROVAL TO CONSTRUCT  
Water and/or Wastewater Facilities

System Name: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

System No.: 10-411

Project Owner: TIERRA LINDA HOMEOWNERS ASSOCIATION WATER COMPANY

Address: 6262 NORTH SWAN ROAD, #125, TUCSON, AZ 85718

Project Location: T-12-S, R-11-E, SECTION 29 County: PIMA

Description: NEW WATER DISTRIBUTION SYSTEM TO SERVE TIERRA LINDA NUEVA,  
PHASE 2, LOTS 35-49, 57-63, 151-176.

Approval to construct the above, described facilities as represented in the approved plan on file with the Pima County Department of Environmental Quality is hereby given subject to the following provisions:

A PROFESSIONAL ENGINEER, REGISTERED IN THE STATE OF ARIZONA, OR A PERSON UNDER THE DIRECT SUPERVISION THEREOF, SHALL COMPLETE A FINAL INSPECTION AND SUBMIT A CERTIFICATE OF COMPLETION TO THE DEPARTMENT. AFTER COMPLETION OF CONSTRUCTION, AND ACCEPTANCE BY PIMA COUNTY, ACCURATE "AS BUILT" PLANS, AN ENGINEER'S CERTIFICATE OF COMPLETION, PRESSURE AND MICROBIOLOGICAL TESTING SHALL BE PREPARED AND SUBMITTED TO PIMA COUNTY DEPARTMENT OF ENVIRONMENTAL QUALITY IN ORDER TO OBTAIN AN APPROVAL OF CONSTRUCTION.

The State law, A.R.S. 49-353, requires that construction of the project must be in accordance with the rules and regulations of the Arizona Department of Environmental Quality.

If this project includes trenching, land stripping, earthmoving or road construction, an air quality activity permit may be required pursuant to P. C. C. Title 17.12.470. For inquiries, regarding air quality activity permits, please call 740-3957.

If construction has not started within one year of the date of this issue, this certificate will be void and a written extension of time shall be required.

Date Approved: July 17, 2006  
This approval superseded the  
approval dated 3/7/05 to account  
for a one year time extension.

Ursula Kramer,  
Director

By: M. Redmond  
Mike Redmond, R.S.  
Water/Waste Program Mgr.

Cc: File No. PO06605  
ADEQ, SRO  
Engineer-Christopher Brozek, AICP, P.E.  
Tierra Linda Homeowners Assoc. W.C.  
Westland Resources

By: David Amash  
David Amash, P.E.  
Civil Engineer

Exhibit “E”

[Water Use Data Sheet]

<b>COMPANY NAME:</b> <u>Tierra Linda Homeowners Association, Inc.</u>	<b>2008</b>
<b>Name of System:</b> <u>Tierra Linda HOA Water Co.</u>	<b>ADEQ Public Water System Number:</b> <u>10-411</u>

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2008**

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	54	312.5		
FEBRUARY	54	304.2		
MARCH	54	284.4		
APRIL	54	353.2		
MAY	54	463.5		
JUNE	54	418.6		
JULY	54	491.5		
AUGUST	54	484.7		
SEPTEMBER	54	486.9		
OCTOBER	55	427.1		
NOVEMBER	55	404.7		
DECEMBER	56	419.6		
<b>TOTALS →</b>		<b>4,850.2</b>	5,222	

What is the level of arsenic for each well on your system? 0.0095 mg/l  
*(If more than one well, please list each separately.)*

If system has fire hydrants, what is the fire flow requirement? 1000 GPM for 2 hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
☒ ( X ) Yes                      ☐ ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
☒ ( X ) Yes                      ☐ ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
☐ ( ) Yes                      ☒ ( X ) No

If yes, provide the GPCPD amount: \_\_\_\_\_

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

# **Appendix “E”**

**Tierra Linda Homeowners Association, Inc.  
(Corporate Resolution)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

## **CERTIFICATE OF RESOLUTION**

I, Robert P. Zammit, do hereby certify that I am the sole officer of Tierra Linda Homeowners Association, Inc., an Arizona non-profit corporation organized under the laws of the State of Arizona (the "Corporation"); that the following is true, complete and correct copy of a resolution duly adopted at a Special Meeting of the Board of Directors of the Corporation, duly and properly called and held on the June 10, 2009; that a quorum was present at the meeting; and that this Resolution is set forth in the minutes of the meeting and has not been rescinded, revoked or modified and is now in full force and effect:

**RESOLVED**, that the Board of Directors of the Corporation hereby approve the First Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva attached as Exhibit "A" hereto.

**FURTHER RESOLVED**, that the President of the Corporation is authorized to take all actions necessary on behalf of the Corporation to complete the transaction for the sale of the water system assets of the Corporation and to transfer the associated Certificates of Convenience and Necessity to Gary Smyth or his assigns, including, but not limited to, preparing and signing all documents, provided, however, such authorization and transfer is contingent upon approval of the First Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva by the Veterans Administration to allow the transfer.

There being no further business to come before the meeting, the same was adjourned.

  
\_\_\_\_\_  
Robert P. Zammit  
President

When recorded, return to:  
Thomas M. Pace, Esq.  
1670 East River Road, Suite 124  
Tucson, Arizona 85718-8900

**FIRST AMENDMENT  
TO  
SECOND AMENDED AND RESTATED DECLARATION  
OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
OF  
TIERRA LINDA NUEVA**

Lot Nos. 1 through 190, Common Areas A and B and Wellsite  
as recorded in Book 59 of Maps and Plats, at Page 3, Pima County, Arizona

This First Amendment (the "Amendment") is made this 10<sup>th</sup> day of June, 2009, by Title Security Agency, an Arizona corporation, as Trustee under Trust No. 939 (hereinafter the "Declarant"), and amends as set forth below that Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Tierra Linda Nueva, recorded August 9, 2005, in the Office of the County Recorder, Pima County, Arizona, at Docket 12612, page 7587, et seq. (the "Declaration"). All other terms and conditions of the Declaration shall remain in full force and effect. All terms used but not defined in this Amendment shall have the meanings assigned to such terms in the Declaration.

1. Section 9.1 of the Declaration ("Duty to Provide Water Service to Members") is hereby amended with the addition of a new first sentence as follows:

Notwithstanding the provisions of this Article VIII, the Association may sell the Water Facilities and the Wellsite to a person or entity which shall become a public service corporation regulated by the Arizona Corporation Commission with a duty to deliver water to the Property.

2. This Amendment has been approved by:

a. The written consent of Declarant who holds at least sixty percent (60%) of the votes in Tierra Linda Homeowners Association, Inc., an Arizona non-profit corporation, pursuant to Section 11.2.1 of the Declaration;

b. The approval of fifty-one percent (51%) of the Eligible Mortgage Holders, if any, who responded within the twenty (20) day period, pursuant to Section 11.2.2 of the Declaration; and

3. This Amendment will only be effective upon the recording of a Notice of Consent of the Veterans Administration, pursuant to Section 11.9 of the Declaration.

**IN WITNESS WHEREOF**, Declarant has executed this Declaration the day, month and year first above written.

**TITLE SECURITY AGENCY**  
an Arizona corporation, as Trustee under Trust No. 939, only and not in its corporate capacity

By: *Diane L. Sloane*  
Diane L. Sloane  
Trust Officer  
Its: \_\_\_\_\_

STATE OF ARIZONA )  
                          ) ss.  
COUNTY OF PIMA )

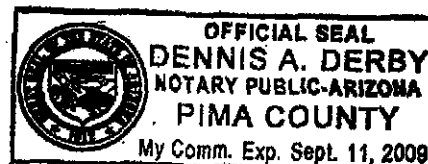
SUBSCRIBED AND SWORN to before me this 14th day of June,  
2009, by Diane L. Sloane, the Trust Officer  
of Title Security Agency of Arizona, an Arizona Corporation \*\*, on behalf  
of said Trust.

\*\* as Trustee Under Trust No. 939

*Dennis A. Derby*  
Notary Public

My Commission expires:

9-11-09





**MINUTES OF SPECIAL MEETING OF DIRECTORS  
OF  
TIERRA LINDA HOMEOWNERS ASSOCIATION, INC.**

The Board of Directors of Tierra Linda Homeowners Association, Inc. an Arizona non-profit corporation (the "Corporation"), held a Special Meeting on June 10, 2009, at the offices of the Corporation in Tucson, Arizona.

The Director present was Robert P. Zammit. Robert P. Zammit presided as Chairman of the meeting and acted as Secretary thereof.

The Chairman introduced and the Board of Directors discussed the proposed First Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva. On motion duly made, it was unanimously,

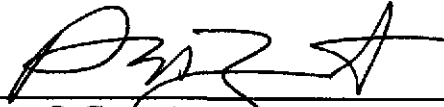
RESOLVED, that the Directors of the Corporation approve the First Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva.

The Chairman updated the Directors on the sale of the water company by the Corporation to Gary Smyth. A discussion ensued. On motion duly made, it was unanimously,

RESOLVED, that the President of the Corporation is authorized to take all actions necessary on behalf of the Corporation to complete the transaction for the sale of the water system assets of the Corporation and to transfer the associated Certificates of Convenience and Necessity to Gary Smyth or his assigns, including, but not limited to, preparing and signing all documents, provided, however, such authorization and transfer is contingent upon approval of the First Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva by the Veterans Administration to allow the transfer.

There being no further business to come before the meeting, upon motion duly made and approved, the meeting thereupon adjourned.

DATED: June 10, 2009.



---

Robert P. Zammit  
Chairman and Secretary of the Meeting

# **Appendix “F”**

**Tierra Linda Homeowners Association, Inc.  
(Personal Financial Statement of  
Gary Smyth)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

# THE MAHONEY GROUP

## PERSONAL FINANCIAL STATEMENT PAGE 1

This statement and any applicable schedules may be completed jointly by married and unmarried applicants if their assets and liabilities are sufficiently joined so that the statement can be meaningfully and fairly presented on a combined basis; otherwise separate statements and schedules are required.

Applicant is: ☒ Married ☐ Single ☐ Separated

If married, the financial statement is: ☐ Completed jointly with spouse ☒ Not completed jointly

Name and address: \_\_\_\_\_ Statement of assets and liabilities as of December 31, 2008  
(Insert date, otherwise statement will be returned) ☒ Individual ☐ Co-Partnership ☐ Corporation

ASSETS (Sch)		LIABILITIES (Sch)	
Cash	A \$ 185,000	Due to banks	A \$
Stocks, bonds, etc.	B \$ 60,000	Credit cards	C \$
Accounts receivable	C \$	Taxes	\$
Notes receivable	D \$	Accounts payable	C \$
Inventory	E \$	Notes payable	D \$
Equipment	F \$	Due on equipment	F \$
Home	G \$ 800,000	Due on real estate	G \$
Real estate	G \$ 1,590,000	Other liabilities	H \$
Personal property	\$ 120,000	TOTAL LIABILITIES	\$ 0
IRA	B \$	Capital stock (if any)	\$
Other Assets Insurance	H \$ 10,000	Retained earnings	\$
Business	\$ 277,456.-	Total stockholders equity	\$
TOTAL ASSETS	\$ 5,736,456	NET WORTH	\$ 5,736,456

SOURCE OF INCOME FOR YEAR ENDED 12/31/09	OTHER LIABILITIES
Salary, bonuses & commissions \$ 60,000	Do you have any contingent liabilities? If so, describe: (Lawsuits, Indemnification, etc.)
Dividends \$	
Real estate income \$	
Other income (Alimony, child support or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for bonding) \$	As endorser, co-maker or guarantor? \$
\$	On leases or contracts? \$
\$	Legal claims (judgements, etc.) \$
\$	Other special debt \$
TOTAL \$ 100,000	Amount of contested income tax liens \$

### PERSONAL INFORMATION

Are any assets owned by a trust? Which? N/A	Are you a defendant in any suits or legal actions? N/A
Do you have a will? If so, name of executor: N/A	Have you ever been declared bankrupt? If so, describe: N/A
Are you a partner or officer in any other venture? If so, describe: N/A	Are any assets pledged other than as described on schedules? If so, describe: N/A
Are you obligated to pay alimony, child support or separate maintenance payments? If so, describe: N/A	Income tax settled through (date):
	Personal bank accounts carried at: National Bank of Arizona

From: Rebecca Lynes At: The Mahoney Group FaxID: The Mahoney Group To: Debbie

Date: 05/11/2009 09:31 AM Page: 3 of 3

# PERSONAL FINANCIAL STATEMENT PAGE 2

## IF NOT SUFFICIENT SPACE, ATTACH SEPARATE SCHEDULES

A						
Name and Location of Bank	Account Number	Amount of Deposit	In Whose Name	Owed to Bank	Date Due	
BANK DATA (Attach Copy of Statements)						
B						
Name of Security	No. Shares	Par Value	Market Value	In Whose Name Registered	If Pledged, to Whom and for What Purpose	
STOCKS, BONDS, ETC. (Attach Copy of Statements)						
C						
From Whom Due	Amount	Date Due	To Whom Due	Amount	Date Due	
ACCOUNTS RECEIVABLE AND PAYABLE						
D						
From Whom Due	Amount	Date Due	To Whom Due	Amount	Date Due	
NOTES RECEIVABLE AND PAYABLE						
E						
Description	Cost Price	Market Value				
INVENTORIES						
F						
Description	Cost Price	Depreciation Charged Off	Book Value	Encumbrance	Amount Payable Monthly	
EQUIPMENT						
G						
Location and Description	In Whose Name Is Title	Cost	Present Forced Sale Value	Amount of Mortgage	Name of Mortgagee	
REAL ESTATE						
5829 E. North St.	Gary Smith		240,000			
4815 N. Cule Bosque	Gary Smith		800,000			
4006 E. Lindero St.	Gary Smith		1,000,000			
18593 S. Aurora Ave	Gary Smith		300,000			
11000 Lindero St. Lot 5/10	Gary Smith		50,000			
H						
Description of Other Assets	Amount	Description of Other Liabilities	Amount			
OTHER ASSETS AND LIABILITIES						

The undersigned furnishes the foregoing as a true and accurate statement of the undersigned's financial condition as of the date given.  
Company may furnish copies of the foregoing statement and any information which it has now or may hereinafter obtain, for the purposes of securing bonds.

Signature: [Signature] Title: President Date Signed: May 11, 2009  
S.S. Number: 520-11-3286 Date of Birth: 3/18/55 Spouse's Signature: \_\_\_\_\_  
S.S. Number: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

# **Appendix “G”**

**Tierra Linda Homeowners Association, Inc.  
(Tierra Linda HOA – Gary Smyth  
Asset Purchase Agreement)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

## **ASSET PURCHASE AGREEMENT**

This Asset Purchase Agreement ("Agreement") by and between Tierra Linda Homeowners Association, Inc. ("Seller") and Gary Smyth, a married man dealing with his sole and separate property (on behalf of himself and his heirs and assigns) ("Buyer") is effective as of this 16<sup>th</sup> day of June 2009.

### RECITALS

A. Seller is a public service corporation under Arizona law with respect to its ownership and operation of a water utility system, and is subject to regulation by the Arizona Corporation Commission ("ACC").

B. On July 9, 2004, the ACC issued its Decision No. 67104 granting Seller a Certificate of Convenience and Necessity ("CC&N") by means of which Seller was authorized to provide water service to the public within a designated service area. A legal description and a map of the service area are attached hereto as Appendices "A" and "B," respectively, and are incorporated herein by this reference.

C. Seller is also a non-profit corporation under Arizona law, which was organized for the purpose of providing various services to residents of the Tierra Linda Nueva Subdivision ("Subdivision") in Pima County, Arizona, which residents are members of Seller. Such services include the provision of potable water service to the aforesaid residents.

D. Seller anticipates acquiring title to the water system facilities constructed by the developer of the Subdivision by means of a Water Main Extension Agreement For Developer – Installed On-Site and Off-Site Facilities that has been entered into between Seller and Tierra Linda Development, L.L.C. (herein, the "Facilities Agreement"). The approval of the Facilities Agreement (attached hereto as Appendix "C," and incorporated herein by this reference) by the ACC is a condition precedent to the legal effectiveness of the Facilities Agreement. .

E. The water system which serves the Subdivision has been funded through advances in aid of construction, contributions in aid of construction and equity provided by the developer of the Subdivision.

F. The water system which serves the Subdivision may over time need significant additional capital expenditures, including a second well and possibly arsenic treatment facilities. Seller does not desire to collect reserve funds from its members for future capital expenditures, maintenance and repairs and is further desirous of conveying the existing water system to a qualified successor.

G. Buyer currently owns and is operating water utility facilities providing service to the public elsewhere in Pima County, Arizona. At present, Buyer owns and operates Lakewood Water Company in the vicinity of Amado, Arizona, which is subject to regulation by the ACC.

H. Buyer possesses the financial resources necessary to make the aforesaid capital expenditures required by Seller's water system, as and if necessary; and, Buyer is prepared to make such capital expenditures following the ACC approval of Buyer's acquisition of Seller's water system assets.

I. Seller's members are desirous of selling their water system facilities, in order to assure ongoing adequate and reliable water service to the Subdivision; and, Buyer is desirous of acquiring Seller's water utility system.

### AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, and the mutual promises, covenants and agreements hereinafter contained, the parties agree as follows:

#### **Section 1. Definitions.**

The following capitalized words used in this Agreement shall have the meanings set forth below:

Accounts Receivable: Any right to payment for services or goods provided or rendered by Seller whether or not evidenced by an instrument or chattel paper, arising out of or in any way related to the Business.

Aid in Construction Agreements: The Facilities Agreement entered into between Seller and Tierra Linda Development, LLC, a copy of which is attached as Appendix "C".

Assets: Collectively, the Real Property, Goodwill, Improvements, Equipment, Inventory, Contract Rights, Licenses, Certificates, Warranties and Guarantees, and Records owned and used by Seller in connection with the Business, to be sold by Seller and purchased by Buyer pursuant to this Agreement; provided, however, Assets shall not include Accounts Receivable and cash on hand or in any of Seller's bank/brokerage accounts at Closing.

Assignment and Assumption of Contract Rights and Intangibles: Those certain documents to be given by Seller to Buyer assigning all of Seller's interest in the Contract Rights, and the Buyer's assumption of all Seller's obligations under the Contract Rights, and assigning all of Seller's interest in the Goodwill, Licenses, Certificates, Warranties and Guarantees that are transferable to Buyer as defined below.

Bill of Sale: That certain document to be given by Seller to Buyer conveying all of Seller's interest in and to the Equipment, Inventory and Records as defined below.

Business: That certain business known as Tierra Linda Homeowners Association Water Company, which is currently owned by Seller and is engaged as a public service corporation in the sale of water for domestic, commercial and other uses in the Certificated Area pursuant to a Certificate issued by the Arizona Corporation Commission ("ACC"), and other related services in connection therewith.



Buyer: Gary Smyth, a married man dealing with his sole and separate property (on behalf of himself and his heirs and assigns).

Certificate: That certain Certificate of Convenience and Necessity issued by the ACC in Decision No. 67104, authorizing Seller to engage as a public service corporation in the sale of water for domestic, commercial and other uses in the Certificated Area.

Certificated Area: The legally described area set forth on Appendix "A" in which Seller conducts its Business, which area is more particularly shown on the map of the existing service area attached hereto as Appendix "B", which map is for the purpose of showing the boundaries of the Certificated Area.

Closing: That point in time when (a) all of Seller's obligations and Buyer's obligations hereunder have been fulfilled; (b) the Escrow Agent has received all required funds and documents from the parties; and (c) the Escrow Agent disburses the sale proceeds and records the Transfer Instruments as required by this Agreement.

Commitment: The Commitment for Title Insurance issued by Title Insurer for extended coverage title insurance showing status of title to the Real Property as of the date of the Commitment.

Contract Rights: The right to have services, goods or Equipment provided to the Business by third persons, including, without limitation, any leases of Equipment by Seller and the Aid in Construction Agreements.

Creditors: Any and all persons or entities to whom Seller owes money, goods or services.

Equipment: Tangible personal property, whether affixed or not to the Real Property, which has been acquired by or is under lease to Seller for use primarily in the Business, including but not limited to all equipment used in the operation of wells, storage reservoirs, booster stations, transmission mains and distribution systems, office equipment and motor vehicles.

Escrow Agent: Lisa Quigley, Fidelity National Title, 1630 E. River Rd., Suite 120, Tucson, Arizona 85718, Phone: (520) 382-3013, Fax: (520) 529-7026, Email: [lisa.quigley@fnf.com](mailto:lisa.quigley@fnf.com).

Feasibility Period: The period beginning upon the Opening of Escrow and ending September 20, 2009.

Goodwill: The goodwill of the Business.

Improvements: Wells, storage reservoirs, booster stations, transmission mains and distribution systems, and any other structures or tangible property used by Seller in connection with its water utility operations as described on Appendix "D."

Inventory: Goods that are held by Seller as of the Closing for the treatment of water or otherwise used or consumed in the ordinary course of operating the Business.

Licenses: Those rights to use the public rights of way of Pima County granted to Seller, as described on Appendix "E," which rights are to be transferred to Buyer at Closing.

Opening of Escrow: The date upon which a fully executed copy of this Agreement is delivered to the Escrow Agent.

Permitted Encumbrances: All matters of record approved in writing by Buyer during the Feasibility Period with respect to the Real Property.

Real Property: The real property legally described in Appendix "F" hereto, including all well sites, storage reservoirs, booster stations, transmission mains and distribution systems located within the Certificated Area, together with all easements, licenses and appurtenances pertaining thereto which are used by Seller in the Business.

Records: All of Seller's service agreements, service and repair records, water treatment records, hydrology and assured water supply studies and reports, Arizona Department of Water Resources ("ADWR") filings and correspondence, ACC filings and correspondence, Arizona Department of Environmental Quality ("ADEQ") filings and correspondence, customer data base information (including master file information, billing and payment histories, and complaints), meter reading information, and any other documents arising out of or in any way relating to the Business and the Assets.

Seller: Tierra Linda Homeowners Association, Inc.

Title Insurer: Lisa Quigley, Fidelity National Title, 1630 E. River Rd., Suite 120, Tucson, Arizona 85718, Phone: (520) 382-3013, Fax: (520) 529-7026, Email: [lisa.quigley@fnf.com](mailto:lisa.quigley@fnf.com).

Transfer Instruments: Those instruments customarily required for the transfer of the Assets, including, but not limited to:

- (i) Special Warranty Deed substantially in the form attached hereto as Appendix "G" hereto;
- (ii) Assignment and Assumption of Easements and Property Rights substantially in the form attached hereto as Appendix "H";
- (iii) Assignment of Water Rights and Well Registrations substantially in the form attached hereto as Appendix "I" hereto;
- (iv) Affidavit of Value;
- (v) Foreign Investment in Real Property Tax Act Affidavit;

- (vi) Bill of Sale substantially in the form attached hereto as **Appendix "J"**;
- (vii) Assignment and Assumption of Contract Rights and Intangibles substantially in the form attached hereto as **Appendix "K"**; and
- (viii) Such other documents as Seller and Buyer may agree upon during the Feasibility Period or Escrow Agent may require in order to complete a transfer of the Assets in accordance with the requirements of the Commitment and the Title Requirements.

**Warranties and Guarantees:** Any and all existing written warranties and/or guarantees affecting the Improvements, or any features thereof and any personal property located therein or thereon, and any and all existing written warranties and/or guarantees affecting the Equipment, which shall be conveyed to Buyer at the Closing.

**Section 2. Conveyance of Assets.** Subject to the conditions and limitations set forth herein, Seller hereby agrees to sell and Buyer hereby agrees to purchase the Assets.

2.1 **Equipment, Inventory and Records.** The Equipment, Inventory and Records shall be conveyed at Closing by the execution and delivery by Seller of the Bill of Sale. The Bill of Sale for such items shall include a list identifying all Equipment, Inventory and Records and shall be substantially in the form of **Appendix "J"** hereto,

2.2 **Contract Rights; Goodwill, Licenses, Certificates, Warranties and Guarantees.** The Contract Rights shall be assigned by Seller and assumed by Buyer, and the Goodwill, Licenses, Certificates, Warranties, if any, and Guarantees, if any, that are transferable shall be assigned by Seller to Buyer, at Closing by the execution and delivery by Seller and Buyer of the Assignment and Assumption of Contract Rights and Intangibles. Seller does not warranty or guarantee the condition of any of the Improvements, Equipment or Inventory. The Assignment and Assumption of Contract Rights and Intangibles shall include a list identifying all Contract Rights assigned to and assumed by Buyer and shall be substantially in the form of **Appendix "K"** hereto. Buyer shall not be obligated to assume any contracts not disclosed by Seller as Contract Rights and specifically assumed in writing by Buyer pursuant to **Appendix "K."**

2.3 **Real Property.** The Real Property shall be conveyed at Closing by the execution and delivery by Seller of (a) Special Warranty Deed, (b) an Assignment of Easements and Property Rights, (c) an Assignment of Water Rights and Well Registrations and (d) such other Transfer Instruments as may be appropriate as determined by Buyer or Title Insurer. The Special Warranty Deed shall be substantially in the form attached hereto as **Appendix "G"** hereto. Seller shall deliver the Real Property at Closing to Buyer subject only to Permitted Encumbrances. Within a reasonable time after the Closing, Escrow Agent shall furnish the Buyer with the Title Insurer's ALTA Extended Owner's Policy of Title Insurance in the amount of the Purchase Price (defined in Section 4.1), subject only to Permitted Encumbrances (the "Owner's Title Policy").

2.4 **Limitations.** The purchase of the Assets pursuant hereto shall not constitute a purchase of Seller by Buyer nor render Buyer a successor-in-interest to Seller. This Agreement is limited to the purchase and sale of the Assets only and Buyer is not assuming any liabilities of Seller with respect to the Assets or the Business that may exist at any time unless otherwise specifically set forth herein, provided, however, Buyer shall assume Seller's refund obligations under the Facilities Agreement. Buyer shall have no obligation of any kind under any contract or obligation assumed by Seller unless disclosed to, and assumed by, Buyer in writing, as provided herein. The provisions of this **Section 2.4** shall survive the Closing.

### **Section 3. Commitment; Information from Seller; Feasibility Period.**

#### **3.1 Delivery of Materials.**

3.1.1 **Delivery of Commitment.** Within five (5) days following the Opening of Escrow, the Escrow Agent shall deliver the Commitment to Buyer and Seller together with legible copies of all documents referenced therein.

3.1.2 **Delivery of Other Information.** Upon the Opening of Escrow, Seller shall deliver to Buyer copies of (a) all employment, service, operations, maintenance and supply contracts affecting or pertaining to the Real Property, Equipment, Improvements, Inventory or the Business conducted thereon; (b) the Warranties and Guarantees, together with any insurance policies or binders; (c) all environmental studies and assessments, and regulatory filings and reports concerning the Assets or the Business, including, but not limited to, ADEQ, ADWR and ACC utility and corporate filings; and (d) all similar or relevant information and documentation requested by Buyer or which could reasonably affect or influence Buyer's use of the Assets for the purposes for which they are being acquired.

3.2 **Feasibility Period.** During the Feasibility Period Buyer shall have the right to enter upon the Real Property and the right to review all Records with Buyer's representatives and agents for the purpose of testing, examining and investigating the Assets and to make written objections ("Title Requirements") to matters shown in the Commitment or any amendment thereto or a survey of the Real Property. During the Feasibility Period Seller shall make reasonable and diligent efforts at Seller's sole cost and expense to satisfy the Title Requirements on terms and conditions satisfactory to Buyer. Buyer shall have the right during the Feasibility Period to terminate this Agreement if Buyer is dissatisfied, in Buyer's sole and absolute discretion, with the progress in satisfying the Title Requirements or the feasibility of the Assets for Buyer's purposes. On or before the expiration of the Feasibility Period, Buyer shall give written notice to Seller and Escrow Agent of its election whether or not to terminate this Agreement. If Buyer elects to terminate this Agreement, Escrow Agent shall return the Earnest Money and all documents deposited in escrow by Buyer to Buyer, all documents deposited in escrow by Seller to Seller, and this Agreement and escrow shall terminate. If Buyer elects not to terminate this transaction, the Earnest Money shall become nonrefundable to Buyer. Buyer's failure to timely give written notice of its election to terminate or not terminate this transaction shall be deemed an election by Buyer not to terminate this transaction.

#### **Section 4. Earnest Money and Purchase Price.**

4.1 **Earnest Money and Purchase Price.** Buyer agrees to pay Seller as the total purchase price for Seller's interest in the Assets, the following sums (the "Purchase Price"):

4.1.1 **Earnest Money.** Buyer will deposit the sum of One Thousand Dollars (\$1,000.00) (the "Earnest Money") with the Escrow Agent within three (3) days after the execution of this Agreement by Buyer and Seller. The Earnest Money shall be placed in an interest bearing account, and all interest accruing thereon ("Earnest Money Interest") shall be deemed to increase, and be a part of, such Earnest Money and shall be paid to the party entitled to receive payment of the Earnest Money in accordance with this Agreement. The Earnest Money shall be disbursed to Seller at Closing, provided that all of Seller's obligations herein have been satisfied.

4.1.2 **Balance of Purchase Price.** The Balance of the Purchase Price shall be Sixty-Nine Thousand Dollars (\$69,000.00), and shall be paid by Buyer in immediately available United States funds at Closing through Escrow Agent.

**Section 5. Regulatory Approvals and Conditions to Closing.** Buyer's and Seller's obligations to proceed with Closing under this Agreement are contingent upon: (i) Buyer and Seller obtaining such approval(s) of the ACC as may be necessary to complete the sale of the Assets to Buyer and the transfer of the Certificate to Buyer on terms and conditions satisfactory to Buyer in its sole and absolute discretion (the "Regulatory Approvals"), including the ACC's prior approval of the Facilities Agreement; (ii) Buyer's receipt of the Title Insurer's irrevocable commitment to issue the Owner's Title Policy; (iii) Seller's satisfaction of all requirements of the Commitment and all Title Requirements set forth by Buyer during the Feasibility Period on terms and conditions satisfactory to Buyer in its sole and absolute discretion; (iv) execution and delivery of the Transfer Instruments; (v) the payment of any closing costs, proratable amounts or any other amounts required to be paid under this Agreement on or before the Closing; (vi) the parties' representations and warranties contained in this Agreement being true and correct in all material respects as of the Closing ("Closing Conditions"), and (vii) Declarant's execution of a legally effective First Amendment to Second Amended and Restated Declaration of Covenants, Conditions and Restrictions of Tierra Linda Nueva Subdivision. Buyer and Seller shall cooperate in all reasonable respects to obtain the Regulatory Approvals, and each party shall bear its own costs incurred in such regard. The Closing shall occur at a mutually agreeable time and place within ten (10) business days after expiration of the Feasibility Period, or such earlier date that all Closing Conditions have been satisfied and Buyer has delivered written notice to Seller that Buyer has elected to proceed with the transaction ("Buyer's Election to Proceed"). If (i) any the Closing Conditions have not been satisfied by October 15, 2009, and (ii) the parties do not extend the date of Closing according to the provisions of **Section 10** of this Agreement, then the Earnest Money shall be returned to Buyer, and this Agreement shall terminate.

## **Section 6. Representations and Warranties.**

6.1 Seller's Representations. Seller hereby jointly and severally represents and warrants to Buyer the following:

6.1.1 Title. Seller is the owner of, and has good and marketable title to, the personal and Real Property that is a part of the Assets to be conveyed hereunder.

6.1.2 Disclosed Agreements. Except for this Agreement, Seller has entered into no agreement currently in effect to sell the Assets.

6.1.3 Liabilities. To be best of Seller's knowledge, there are no judgments, liens, actions or proceedings pending against Seller or the Assets that would adversely affect this transaction or the title that Buyer will receive, other than those that have been disclosed in writing to Buyer.

6.1.4 Liens. No judgments, liens, security interests or other monetary obligations against the Assets will be outstanding at the time of Closing, except Permitted Encumbrances and current real estate taxes which are not yet due and payable.

6.1.5 Labor, Materials. All bills and invoices for labor and materials furnished to or on behalf of the Assets which have been incurred by Seller prior to the time of conveyance and transfer to Buyer, if any, will be paid by Seller prior to or at the time of Closing.

6.1.6 Proceedings. To be best of Seller's knowledge, there are no actions or proceedings by any person or governmental entity or any other facts or circumstances, including any causes of action, lawsuits or claims, whether existing or threatened, which might materially and adversely affect the Assets.

6.1.7 No Breach. Neither the execution and delivery of this Agreement nor the consummation of the transaction contemplated by this Agreement will result (either immediately or after the passage of time and/or the giving of notice) in a breach or default by Seller under any agreement or understanding to which Seller is a party or by which Seller may be bound or which would have an effect upon Seller's ability to fully perform its obligations under this Agreement.

6.1.8 No Bankruptcy. Seller has not (a) made a general assignment for the benefit of creditors, (b) filed any voluntary petition or suffered the filing of an involuntary petition by Seller's creditors, (c) suffered the appointment of a receiver to take all, or substantially all, of Seller's assets, (d) suffered the attachment or other judicial seizure of all, or substantially all, of Seller's assets, or (e) admitted in writing its inability to pay its debts as they fall due, and no such action is threatened or contemplated.

6.1.9 Regulations. To the best of Seller's knowledge, there are currently no violations of any applicable zoning regulation or ordinance or other law, order, ordinance, rule, regulation or requirement, or of any covenant, condition or restriction affecting or relating to the

use or occupancy of the Real Property from any governmental agency having jurisdiction over the Assets or from any other person entitled to enforce the same.

6.1.10 Permits. To be best of Seller's knowledge, Seller has all permits, licenses, authorization and approvals required by law or any governmental agency to conduct the Business.

6.1.11 Condemnation. To be best of Seller's knowledge, there are no pending or threatened condemnation or eminent domain proceedings which would affect the Business or Assets.

6.1.12 Creditors. As of the Closing or thereafter when such obligations are then due (except for items to be prorated at Closing pursuant to Section 13 of this Agreement), all bills and invoices for goods and services related to or which are a part of the Assets shall be paid; all Creditors shall be paid; all employees (if any) and salaries, wages, bonuses, vacation pay and benefits accrued up to the date of Closing shall be paid; all withholdings, payroll taxes, unemployment insurance, worker's compensation benefits, and all other similar payments shall be paid current to the date of Closing; and no claims by Creditors shall exist which may encumber the Assets.

6.1.13 Organization. Seller has been duly formed and presently exists as an Arizona public service corporation, and subject to the Regulatory Approvals, has the full right and authority to enter into this Agreement, to consummate the sale of the Assets herein and to observe and perform all of its covenants and obligations hereunder. The person executing this Agreement and any other document required hereby has full authority to act on behalf of and to bind the Seller in and to the obligations imposed on it by this Agreement.

6.1.14 Commissions. Seller has made no agreements respecting commissions or brokerage fees in connection herewith. Seller shall indemnify Buyer for any claims of commission through Seller. This indemnification provision shall survive the Closing.

6.1.15 Environmental Regulations. To the best of Seller's knowledge, the Assets to be conveyed hereunder are in compliance with all current applicable environmental, health and safety laws and regulations.

6.1.16 Insurance Coverage. Seller carries, and has for the four (4) years immediately preceding the date of this Agreement carried, what it believes to be a commercially reasonable liability insurance policy on an occurrence basis. Such insurance shall be maintained in full force and effect through Closing.

6.1.17 ACC Filings. To the best of Seller's knowledge, there are no material inaccuracies in the information contained in the latest Annual Report(s) filed with Corporation and the Utilities Division(s) of the ACC.

6.1.18 Sufficiency and Adequacy. To the best of Seller's knowledge, the Real Property to be conveyed pursuant hereto is adequate and sufficient to permit the Buyer to operate

the Business in its usual and customary manner, and all Improvements are located within the Real Property conveyed pursuant hereto.

6.1.19 Accuracy of Representations and Warranties. None of the representations and warranties of Seller contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive the Closing for a period of one (1) year and thereafter shall lapse except with respect to any breach of such warranties and representations with respect to which Buyer has commenced an action against Seller prior to the expiration of such one (1) year period.

6.2 Buyer's Representations. Buyer hereby represents to Seller as follows:

6.2.1 Authority. The person executing this Agreement and any other documents required hereby has full authority to act on behalf of and to bind the Buyer in and to the obligations imposed on it by this Agreement.

6.2.2 Commissions. Buyer has made no agreements respecting commissions or brokerage fees in connection herewith. Buyer shall indemnify Seller for any claims of commission through Buyer. This indemnification provision shall survive the Closing.

6.2.3 Accuracy of Representations and Warranties. None of the representations and warranties of Buyer contain any untrue statements of a material fact, or omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

The foregoing representations and warranties shall survive the Closing for a period of one (1) year and thereafter shall lapse except with respect to any breach of such warranties and representations with respect to which Seller has commenced an action against Buyer prior to the expiration of such one (1) year period.

6.2.4 Construction of Second Well. Buyer hereby agrees to construct a second well to provide water service to residents of the Subdivision prior to occupancy of fifty percent (50%) of the currently pending platted lots within the Subdivision. This commitment upon Buyer's part shall survive Closing until fully discharged.



## **Section 7. Indemnification.**

7.1 **By Seller.** Seller hereby agrees to indemnify Buyer against, and to hold Buyer harmless from, all actions, suits, proceedings, demands, claims, assessments, judgments, costs and expenses, including without limitation legal fees and disbursements, incurred by Buyer relating to (i) the Assets or Business and arising from acts, occurrences or matters that took place prior to the Closing and (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Seller.

7.2 **By Buyer.** Buyer hereby agrees to indemnify Seller against, and to hold Seller harmless from, all actions, suits, proceedings, demands, claims, assessments, judgments, costs and expenses, including without limitation legal fees and disbursements, incurred by Seller relating to (i) the Assets and arising from acts, occurrences or matters that took place after the Closing (excluding acts of Seller, its agents or employees) and (ii) any material misrepresentation, breach of warranty or covenant, or nonfulfillment of any agreement on the part of Buyer.

**Section 8. Aid in Construction Agreements.** At Closing, Seller shall assign and Buyer shall assume Seller's rights and obligations under the Aid in Construction Agreement, provided that no party thereunder is in default of their obligations under such Agreement.

## **Section 9. Escrow Agent.**

9.1 **Delivery of Transfer Instruments.** The Transfer Instruments and any other documents required by this Agreement or applicable laws shall be placed by the parties into escrow with the Escrow Agent and shall be delivered to the appropriate party upon Closing.

9.2 **Other.** The Escrow Agent agrees to do all things reasonably required by the terms of this Agreement to close this transaction.

**Section 10. Closing.** The Closing of this sale shall occur no later than ten (10) business days after expiration of the Feasibility Period, but in no event later than October 15, 2009, as provided under **Section 5** of this Agreement. Notwithstanding the foregoing, the parties may extend the date of Closing until such later time by executing and delivering a written instrument to the Escrow Agent setting a new date for Closing. The new Closing date shall also be the new date for proration.

## **Section 11. Closing Documents.**

11.1 **Seller's Deposits.** Prior to Closing, Seller shall deposit with Escrow Agent for delivery to Buyer, the following:

11.1.1 The Transfer Instruments required by this Agreement.

11.1.2 The form of Certificate re RUCO and ACC Assessments, substantially in the form set forth in **Appendix "L"** hereto.

11.1.3 Any other documents or instruments required by this Agreement.

11.1.4 Any other instruments necessary to or reasonably required by Buyer or Escrow Agent to effectuate the transaction contemplated herein.

11.2 Buyer's Deposits. Prior to Closing, Buyer shall deposit with Escrow Agent for delivery to Seller the following:

11.2.1 The Balance of the Purchase Price in immediately available United States funds.

11.2.2 Any other instruments necessary to or reasonably required by Seller or Escrow Agent to effectuate the transaction contemplated herein.

**Section 12. Costs.** Costs of Closing and/or expenses connected with the transfer of the Assets and the sale thereof shall be divided between Buyer and Seller, and paid through escrow, as follows:

12.1 Attorneys' Fees. Except as provided in **Section 21.4** of this Agreement, each party shall pay its own attorneys' fees and costs.

12.2 Escrow Fees. The escrow fee and all filing and recording fees shall be divided equally between Buyer and Seller, to the extent that such recording fees or filing fees are for the Transfer Instruments. If any recording fees or filing fees are necessary as a result of recordings required to clear title, they shall be paid by Seller.

12.3 Title Insurance. The premium for the Owner's Title Policy attributable to standard coverage and the cost of any endorsements required to satisfy the Commitment or Title Requirements shall be paid by Seller. Buyer shall pay the difference between the standard premium and an extended premium, if any, plus the costs of any additional requirements for an extended title insurance policy.

**Section 13. Prorations.**

13.1 Prorations. All current real estate taxes against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. Any errors in the proration resulting in a deficit in the payment of taxes through Closing shall thereafter remain the obligation of Seller. Any delinquent taxes, penalties and interest thereon for the Property shall be paid by Seller on or before Closing

13.2 Assessments. All current assessments, both principal and interest, against the Real Property shall be prorated as of 12:01 a.m. on the date of Closing. Seller shall pay any delinquent amounts on or before Closing.

13.3 Other.

13.3.1 Seller shall deliver the Records to Buyer on the Closing date.

13.3.2 Seller shall transfer utility operations to Buyer as of Closing.

13.3.3 Leases for Equipment (including vehicles) or premises, if any, shall be prorated as of Closing.

13.3.4 Any meter deposits collected by Seller, refunds of which are payable to Seller's customers, shall be transferred to Buyer as of Closing.

13.3.5 Personal property tax shall be prorated as of Closing.

#### **Section 14. Risk of Loss.**

14.1 Prior to Closing. The risk of loss for damage by fire or other casualty, or the taking by eminent domain, until Closing, shall remain the responsibility of Seller. Upon the happening of any material loss and within ten (10) business days after notification thereof, Buyer may elect in writing to terminate this Agreement or close the sale. If an election to terminate the Agreement is made, any money on deposit shall be returned to Buyer with accrued interest thereon and this Agreement shall thereupon become null and void. In the alternative, if an election to proceed with Closing is made by Buyer, any insurance proceeds and/or condemnation award in connection with the loss shall be given to Buyer, but there shall be no adjustment to the Purchase Price.

14.2 After Closing. The risk of loss or damage by fire or other casualty, or the taking by eminent domain, shall be assumed by and be the responsibility of Buyer from and after the Closing.

**Section 15. Insurance.** Buyer shall place its own insurance coverage on the Assets as of Closing. Insurance previously carried by Seller shall be canceled by Seller as of Closing.

**Section 16. Assignment of Agreement.** The rights of each party under this Agreement may be assigned only with the prior written consent of the other party, which consent may be withheld for any reason, or for no reason.

#### **Section 17. Default.**

##### **17.1 Seller's Default.**

17.1.1 Non-Monetary Default. For the purposes of this **Section 17**, a "Non-Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance when that failure is the result of any action by a third party encumbering the Assets by creating a cloud on the title of Seller's ownership status which is not practicably susceptible to financial satisfaction prior to Closing and was not accepted by Buyer as a Permitted Encumbrance during the Feasibility Period.

17.1.2 Monetary Default. For the purpose of this **Section 17**, a "Monetary Default" shall mean the failure of Seller to close this transaction after Buyer has tendered full performance, when that failure is a result of a monetary lien or encumbrance upon the Assets,

which lien or encumbrance was not disclosed in the Commitment when received by Buyer and which can be cured by the application of a portion of the Closing proceeds.

17.1.3 Seller's Willful Refusal. For the purpose of this **Section 17**, "Seller's Willful Refusal" shall mean the wrongful failure of Seller to close this transaction for reasons within Seller's control, after Buyer has tendered full performance.

17.1.4 Remedies. In the event of a default by Seller, Buyer's exclusive remedies shall be as follows:

17.1.4.1 In the event of a Non-Monetary Default, Buyer shall have ten (10) business days following such default in which to elect in writing to terminate this Agreement or waive the Non-Monetary Default and close this transaction. In the event Buyer elects to terminate this Agreement, this Agreement shall thereupon be null and void and the Earnest Money shall be immediately returned to Buyer, together with any interest earned thereon. If Buyer elects to waive the Non-Monetary Default and close the transaction, then Closing shall occur within ten (10) business days after Buyer's written notice to close. There shall be no adjustment in the Purchase Price and Buyer shall accept whatever title Seller may be able to convey.

17.1.4.2 In the event of a Monetary Default, the Escrow Agent is hereby instructed to withhold from Seller's proceeds from the Closing a sufficient amount to cure the Monetary Default.

17.1.4.3 In the event of Seller's Willful Refusal, then Buyer shall be entitled to pursue its legal and equitable remedies as then may be available, including specific performance.

17.2 Buyer's Default. In the event Buyer fails to close this transaction after Seller has tendered full performance and all conditions to Buyer's obligation to close have been satisfied, Seller shall be entitled to immediately receive the Earnest Money from the Escrow Agent as liquidated damages (and not as a penalty) for its damages incurred as a result of Buyer's default.

**Section 18. Customer Deposits.** Any meter deposits collected by Seller, refunds of which are payable to Seller's customers, shall be transferred to Buyer and refunded by Buyer as and when due. Seller shall provide a list of all such refundable customer deposits and meter deposits to Escrow Agent and Buyer prior to Closing.

**Section 19. Employees.** Buyer shall not be obligated to employ any of Seller's employees, if any, nor have any obligations to such employees, whatsoever.

**Section 20. Meter Readings and Billings.**

20.1 Meter Readings.

20.1.1 Seller shall use its best efforts to read all customer meters on the date of Closing, but in any event, all meters will be read within five (5) days prior to Closing (the "Final Reading").

20.1.2 Seller shall continue to bill in its usual sequence for water usage prior to Closing and may, at its option, delay its usual billing sequence to coincide with the Final Reading.

20.1.3 Seller shall bill for all services provided prior to the Final Reading at Seller's rates. Buyer shall bill for all services provided after the Final Reading at Buyer's rates.

20.1.4 With respect to any amounts billed for Seller's services provided prior to the Final Reading, Buyer shall have no obligation or liability to take any action to effect collection on behalf of Seller, but Seller may, at its option, pursue the collection of its unpaid billings.

## **Section 21. Miscellaneous Provisions.**

### **21.1 Notices.**

All notices and communications hereunder shall be in writing and shall be given by personal delivery, private courier whose practice it is to obtain a receipt upon delivery, or mailed first class, registered or certified mail, postage prepaid, and shall be deemed received upon the earlier of actual delivery or two (2) days after deposit in the United States Mail as aforesaid. Notices to Seller or Buyer as the case may be shall be delivered or mailed to the following addresses:

#### **Seller**

Tierra Linda Homeowners Association, Inc.  
c/o Tierra Linda Homeowners Association Water Company  
4729 E. Sunrise Drive, #311  
Tucson, Arizona 85718

#### **Buyer**

Gary Smyth  
c/o Smyth Steel  
4010 East Illinois  
Tucson, Arizona 85714

## 21.2 Nature of Agreement.

21.2.1 Agreement Negotiated. The terms and provisions of this Agreement represent the results of negotiations between Seller and Buyer, each of which has been represented by counsel of its own choosing and none of which have acted under duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and Seller and Buyer hereby waive the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of the Agreement, including (without limitation) any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the party whose attorney prepared the executed draft or any earlier draft thereof. The Rule of Strict Construction shall not be used to interpret this Agreement, but rather this Agreement shall be construed to provide each party with the benefit of the bargain it has struck with the other party.

21.2.2 Integration. All understandings and agreements heretofore between the parties are merged into this Agreement, which alone fully and completely expresses their agreement; the same is entered into after full investigation and neither party is relying upon any statements or representations by the other not embodied in this Agreement.

21.2.3 Other Inducements. The parties agree that there are no promises, inducements, representations or agreements in connection with this Agreement except those specifically set forth herein in writing.

21.2.4 Binding Effect upon Successors, Assigns and Heirs. Subject only to the provisions of Section 16, above, the provisions of this Agreement, and all rights and obligations hereunder, shall be binding upon the respective successors, assigns and heirs of Seller and Buyer.

21.2.5 Modification. This Agreement may not be changed orally, but only by an agreement in writing, signed by the parties.

21.2.6 Other Agreements. Seller shall not enter into any contracts, leases, agreements or amendments to existing agreements or encumbrances affecting the Assets while this Agreement remains in force or subsequent to Closing of this transaction without the express written consent of Buyer, other than to remove a matter which the Title Insurer requires be removed to close.

21.3 Relation of Parties; No Agency. It is expressly agreed and understood by the parties hereto that neither party is the agent partner, nor a joint venture partner of the other. It is also expressly agreed and understood that neither Seller nor Buyer has any obligations or duties to the other except as specifically provided for in this Agreement.

21.4 Attorney's Fees. In the event of any dispute regarding this Agreement, the prevailing party shall be entitled to receive, in addition to any other award, reasonable attorneys' fees and costs, determined by the court or arbitrator and not a jury.

## 21.5 Construction.

21.5.1 Time. Time is of the essence of this Agreement. However, if any action is required to be taken on a Saturday, Sunday or legal holiday, the action shall be deemed timely taken if it is taken on the next regular business day.

21.5.2 Headings. The headings of this Agreement have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in any one gender, it shall be deemed to include all other genders as the case may require, and the singular shall include the plural, and vice versa, unless the context indicates to the contrary.

21.5.3 Adverbs. Whenever the terms "herein", "hereunder", "hereof", "therefor", "thereover", or similar terms are used, they shall refer to this entire Agreement as a whole and shall not refer solely to any particular section.

21.5.4 Exhibits. All recitals, schedules and exhibits to this Agreement are fully incorporated herein as though set forth at length herein.

21.5.5 State Law. This Agreement and the conveyance provided for herein shall be governed by the laws of the State of Arizona.

21.5.6 Counterparts. This Agreement may be executed in counterparts, and the signature of any person required by this Agreement shall be effective if signed on any and/or all counterparts. All counterparts together shall be considered one and the same Agreement.

21.6 Force Majeure. The term "Force Majeure" as used herein shall mean cause beyond the control and without the fault or negligence of the party failing to perform, whether foreseen or unforeseen, including, but not limited to: Acts of God, acts of the public enemy, wars, insurrections, civil unrest, riots, terrorism, labor disputes, boycotts, fires, explosions, floods, unanticipated adverse geological and weather conditions, and acts of judicial or military authorities. Neither party will be liable to the other for any delay or non-performance of its obligations under this Agreement in the event and to the extent that such delay or nonperformance is caused by any event of Force Majeure. Each party will inform the other party of the occurrence of any event of Force Majeure, and its expected duration and cessation, respectively, as soon as reasonably practical. In the event the Closing under this Agreement becomes suspended as the result of an event of Force Majeure for a continuous period exceeding sixty (60) days, then either party may terminate the Agreement with respect to the unperformed part of the Agreement and the Earnest Money shall be returned to Buyer.

**Section 22. Inspection, Acceptance and Maintenance of Assets.**

22.1 Buyer. Buyer acknowledges that as of Closing, it will have inspected the condition of such of the Assets as it deems reasonably necessary, and will accept the Assets in "AS IS" condition, with no warranties express or implied except as set forth in Section 6 of this Agreement.

22.2 Seller. Seller agrees to maintain the condition of the Assets in their current condition, ordinary wear excepted, to the date of Closing. Furthermore, Seller agrees that, from the Effective Date of this Agreement through the date of Closing, Seller shall consult with Buyer and take all reasonable steps to ensure that any infrastructure built or approved conforms with Buyer's construction standards and does not impair Title Insurer's willingness to issue the Title Policy.

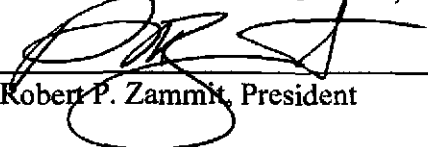
**Section 23. Miscellaneous**

23.1 Receivables. Buyer acknowledges that the records to be transferred to Buyer will contain information that may be needed by Seller from time to time. Buyer therefore agrees that Seller will have the right to reasonable access to such information for that purpose after reasonable prior notice and during regular business hours after Closing, including the right to make copies of such documents as Seller may need.

23.2 Annual Regulatory Assessments. Seller agrees and acknowledges that it shall be responsible for and pay all accrued and or payable ACC and RUCO Annual Regulatory Assessments at or prior to Closing.


**SELLER:**

Tierra Linda Homeowners Association, Inc.

By:   
Robert P. Zammit, President

**BUYER:**

Gary Smyth, a married man, dealing with his sole and separate property (on behalf of himself and his heirs and assigns)

By:   
Gary Smyth



**ESCROW AGENT:**

Copy of the Agreement, including the Exhibits  
attached hereto, received and acknowledged:

Fidelity National Title

By: \_\_\_\_\_

Name: Lisa Quigley

Title: Escrow Agent

Date received: \_\_\_\_\_

# **Appendix “A”**

**Tierra Linda Homeowners Association, Inc.  
(Legal Description)**

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

## PARCEL A

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the north quarter corner of said Section 29, marked by a General Land Office brass capped pipe and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, southerly along west line of the northeast quarter of said Section 29, S 00° 13' 24" E, 45.00 feet (calculated) to a point on the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, said point being the TRUE POINT OF BEGINNING of Parcel "A" herein described;

THENCE from said TRUE POINT OF BEGINNING, easterly along said south right-of-way line, N 89° 49' 46" E, 339.01 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly and along the west line of Lot 11 as shown on the plat of Tierra Linda, a subdivision of said Pima County recorded in Book 17 of Maps and Plats at Page 92 thereof, S 00° 09' 39" E, 624.72 feet (Record), S 00° 10' 41" E, 626.26 feet (calculated), to the southwest corner thereof, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said southwest corner, easterly along the south line of Lots 11, 12, and 13 of said recorded subdivision,

N 89° 50' 21" E, 922.53 feet (Record)

N 89° 51' 90" E, 923.97 feet (calculated)

N 89° 49' 46" E, 925.11 feet (measured) to the southeast corner of said Lot 13, marked by a 1/2" diameter rebar with registration tag RLS 15933;

THENCE leaving said southeast corner, southerly along the west right-of-way line of Via Socorro as shown on the plat of said Tierra Linda

S 00° 16' 51" E, 1465.00 feet (Record)

S 00° 17' 12" E, 1465.00 feet (calculated)

S 00° 15' 53" E, 1465.55 feet (measured) to the northeast corner of a parcel recorded in Docket 11488 at Page 4197 thereof, records of said Pima County, marked by a 1/2" rebar;

THENCE leaving said northeast corner, westerly along the north line of said recorded parcel and the westerly prolongation thereof, S 89° 50' 21" W (Record), S 89° 51' 38" W, 926.57 feet (calculated) to a point thereon;

THENCE leaving said north line, northwesterly, N 33° 16' 52" W, 276.55 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 181.14 feet to a calculated point;

THENCE leaving said point southeasterly S 85° 57' 43" E, 104.77 feet to a calculated point;

THENCE leaving said point, northwesterly, N 06° 20' 24" W, 282.28 feet to a calculated point;

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THENCE leaving said point, southwesterly, S 73° 29' 57" W, 99.62 feet to a calculated point;

THENCE leaving said point, northwesterly, N 16° 37' 32" W, 226.98 feet to a calculated point;

THENCE leaving said point, southwesterly, S 68° 10' 39" W, 198.23 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1015.13 feet to a point thereon;

THENCE leaving said point, northerly, N 00° 11' 46" W, 430.00 feet to a calculated point;

THENCE leaving said point, westerly, S 89° 48' 14" W, 93.91 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 47" W, 430.00 feet to a calculated point;

THENCE leaving said point, easterly, N 89° 48' 14" E, 820.00 feet to a calculated point;

THENCE leaving said point, northerly, N 00° 11' 46" W, 428.00 feet to a calculated point on the south right of way line of said Emigh Road, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, easterly along said right-of-way line, N 89° 48' 11" E, 370.70 feet to the TRUE POINT OF BEGINNING;

CONTAINING 69.18 acres of land [M/L], subject to and together with all matters of public record.

#### Parcel B

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the southwest corner of the north half of said Section 29, marked by a ½" diameter rebar with registration tag RLS 4399 and Pima County Department of Transportation reference ties;

THENCE from said point of beginning, northerly along the measured west line of the northwest quarter of said Section 29, N 00° 13' 13" W, 868.89 feet to a calculated point thereon;

THENCE leaving said west line, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per Tierra Linda, recorded in Book 17, Page 92, M & P), 1505.18 feet to a point thereon;

THENCE leaving said parallel line, northerly, N 00° 11' 46" W, 440.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 1053.13 feet to a point thereon;

THENCE leaving said parallel line, northeasterly, N 68° 10' 39" E, 198.23 feet to a calculated point;

THENCE leaving said point, southeasterly, S 16° 37' 32" E, 226.98 feet to a calculated point;

THENCE leaving said point, northeasterly, N 73° 29' 57" E, 99.62 feet to a calculated point;

THENCE leaving said point, southeasterly, S 06° 20' 24" E, 282.28 feet to a calculated point;

THENCE leaving said point, northwesterly, N 85° 57' 43" W, 104.77 feet to a calculated point;

THENCE leaving said point, southerly, S 00° 11' 46" E, 181.14 feet to a calculated point;

THENCE leaving said point, southeasterly, S 33° 16' 52" E, 276.55 feet to a calculated point on the north line of a parcel of land recorded in Docket 11535 at Page 2479, records of said Pima County;

THENCE leaving said point, westerly along said north line, S 89° 51' 38" W, 308.11 feet (calculated), S 89° 51' 12" W, 306.50 feet (measured) to the northwest corner of said recorded parcel, marked by a ½" rebar;

THENCE leaving said northwest corner, southerly along the west line of said recorded parcel, S 00° 12' 16" E, 509.00 feet (Record), S 00° 13' 24" E, 509.00 feet (calculated), S 00° 02' 30" E, 508.96 feet (measured), to a point on the south line of the north half of said Section 29, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said point, westerly along said south line, S 89° 50' 21" W, 2671.64 feet (Record), S 89° 51' 08" W, 2670.84 feet (calculated) to the POINT OF BEGINNING of Parcel "B" herein described;

CONTAINING 68.99 acres of land [M/L]; subject to and together with all matters of public record.

## Parcel C

All that certain real property situated in the County of Pima, State of Arizona, being a part of that parcel described in Docket 5780 at Page 226 thereof, records of said Pima County, in the north half of Section 29, Township 12 South, Range 11 East, Gila & Salt River Meridian, more particularly described as follows:

BEGINNING at the northwest corner of said Section 29, marked by an accepted 1.5" diameter open iron pipe with Pima County Highway Department reference ties;

THENCE from said point of beginning, southerly along the measured west line of the northwest quarter of said Section 29, S 00° 13' 13" E, 45.00 feet to the TRUE POINT OF BEGINNING of Parcel "C" herein described, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE from said TRUE POINT OF BEGINNING, leaving said west line, easterly along the south right-of-way line of Emigh Road as shown on the Plat of Tierra Linda, a subdivision of said Pima County, recorded in Book 17 of Maps and Plats at Page 92 thereof, being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E (Basis of Bearings per said plat of Tierra Linda), 2270.00 feet to a point thereon, marked by a No. 4 rebar with registration tag RLS 26932;

THENCE leaving said right-of-way line, southerly, S 00° 11' 46" E, 428.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 820.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 47" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, easterly along a line being parallel with the north line of the northwest quarter of said Section 29, N 89° 48' 14" E, 93.91 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 430.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 38.00 feet to a point thereon;

THENCE leaving said parallel line, southerly, S 00° 11' 46" E, 440.00 feet to a calculated point;

THENCE leaving said calculated point, westerly along a line being parallel with the north line of the northwest quarter of said Section 29, S 89° 48' 14" W, 1505.18 feet to a calculated point on the measured west line of the northwest quarter of said Section 29;

THENCE leaving said parallel line, northerly along said west line, N 00° 13' 13" W, 1728.00 feet to the TRUE POINT OF BEGINNING;

CONTAINING 67.05 acres of land [M/L]; subject to and together with all matters of public record.

# **Appendix “B”**

**Tierra Linda Homeowners Association, Inc.  
(Map)**

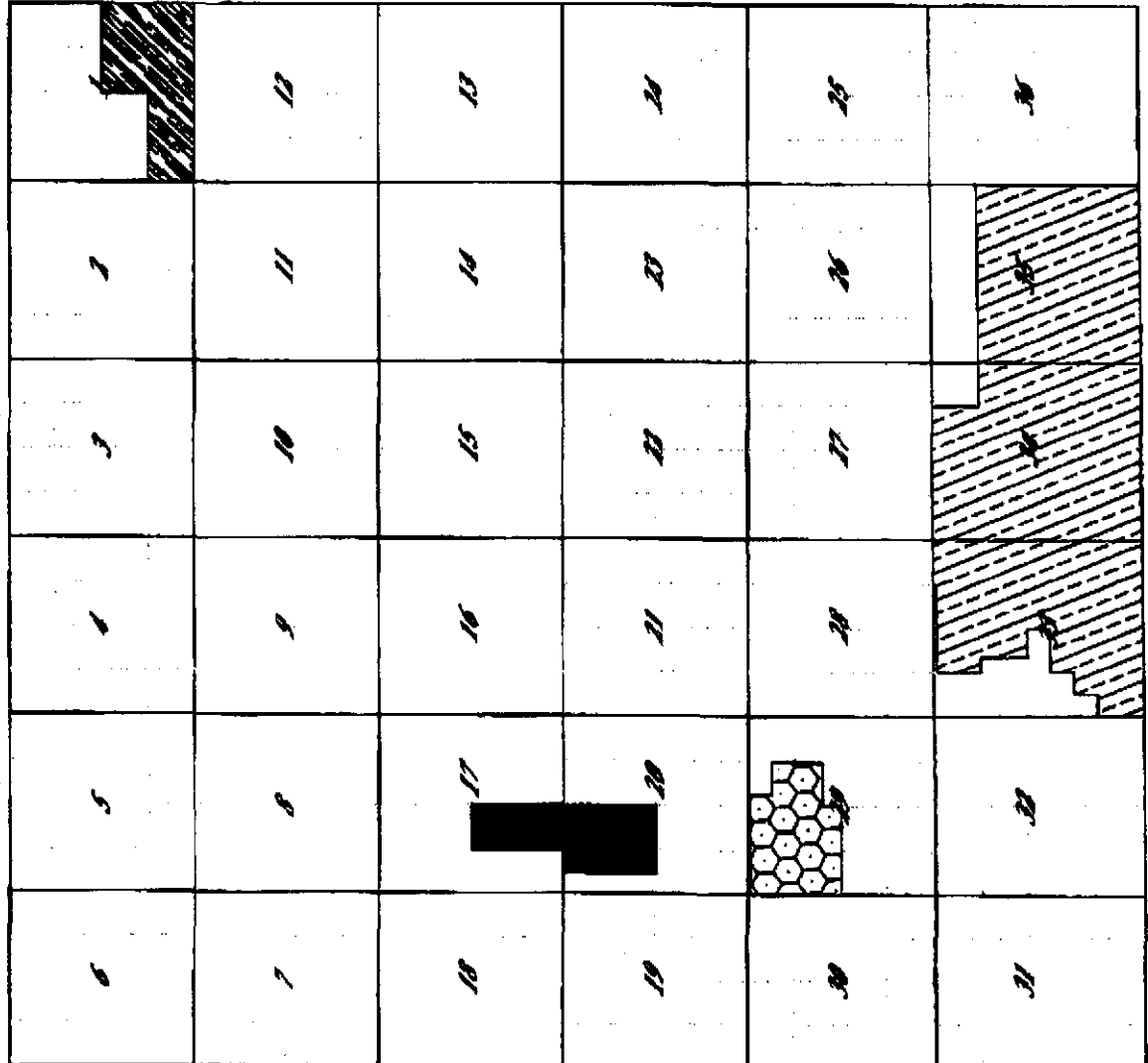
**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

Map No. 10

# **COUINITY: Pima**

## **RANGE 11 East**

## **TOWNSHIP 12 South**



- W-2126 (2)  
Avra Water Cooperative, Inc.
- W-4236 (1)  
Tierra Linda Homeowners Association, Inc.
- (4)  
Cortaro-Marana Irrigation District
- (4)  
Town of Marana (Nonjurisdictional)  
(Palo Verde System)



# **Appendix “C”**

**Tierra Linda Homeowners Association, Inc.  
Water Main Extension Agreement for  
Developer-Installed On-Site and Off-Site  
Facilities  
(Facilities Agreement)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

**WATER MAIN EXTENSION AGREEMENT  
FOR DEVELOPER-INSTALLED, ON-SITE AND OFF-SITE FACILITIES  
for the  
Tierra Linda Nueva  
Phase 1 and Phase 2 Onsite and Offsite**

THIS WATER MAIN EXTENSION AGREEMENT (this "Agreement") is entered into as of the 10 day of JUNE 2009, by and between the TIERRA LINDA HOMEOWNERS ASSOCIATION, INC., an Arizona corporation (hereinafter referred to as the "Company"), and TIERRA LINDA DEVELOPMENT, LLC, an Arizona limited liability company (hereinafter referred to as "Applicant").

**RECITALS:**

A. Company holds a Certificate of Convenience and Necessity from the Arizona Corporation Commission ("ACC") to provide water service in and around Tierra Linda Nueva, including Lot Nos. 50-56, 64-119, and 177-190 ("Phase 1"), and Lot Nos. 35-49, 57-63, and 151-176 (Phase 2") as more specifically described on Exhibit A attached hereto and incorporated herein by this reference (collectively the "Property"); and

B. Certain on-site and off-site water facilities have been designed, constructed, installed and connected to Company's system in order to permit Company to deliver adequate water service to the Property; and

C. Applicant is the sole beneficiary of Title Security Agency of Arizona Trust No. 939, which is fee title owner of the Property, and, having developed the Property, Applicant has financed, designed, installed and constructed the necessary on-site and off-site water facilities pursuant to its request of Company to provide water service to the Property, subject to Company's approval of such design and construction.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereby agree as follows:

1. Facilities to be Constructed: This Agreement governs the construction, installation and financing of the Water Facilities set forth in engineering plans WATER DISTRIBUTION SYSTEM TO SERVE PHASE I, Lots 50-56, 64-119, and 177-190, Chris Brozek, Engineer, dated 10/15/04, WATER DISTRIBUTION SYSTEM TO SERVE PHASE II, Lots 35-49, 57-63, and 151-176, Chris Brozek, Engineer, dated October 15, 2004, AND TIERRA LINDA WATER PLANT, Westland Resources, Engineer, dated April 16, 2004, incorporated herein by this reference as Exhibit B (the "Plans"), as modified in final engineering plans approved by Company, the ACC, the Arizona Department of Environmental Quality ("ADEQ") or its delegatee and/or such other governmental agency, if any, having authority to review and approve the engineering plans. Such modifications shall be deemed to amend the Plans and are incorporated herein by reference. The on-site and off-site facilities constructed pursuant to the Plans are hereinafter referred to as the "Water Facilities." Any additional lines, or water facilities necessary to provide adequate water service to the Property, or any portion thereof, are beyond the scope of this Agreement and will be the subject matter of separate and distinct agreements.

2. Applicant to Construct and Pay: Applicant has designed, constructed and installed the Water Facilities and paid all of the costs related thereto, and has completed

and paid the costs of engineering, computer modeling analysis, materials, labor, transportation, equipment, regulatory fees, special assessments, excise charges, taxes (excluding property taxes) or surcharges, regulatory fees, necessary permits, easements, inspections, administrative overhead, attorney's fees, approvals, testing, correction, insurance and bonds.

3. Advance in Aid of Construction. Upon the mutual execution of this Agreement, the Applicant shall convey the Water Facilities to Company, and pay Company One Hundred Dollars (\$100.00), as and for Company's costs. The actual expenses incurred by Applicant in the construction of the Water Facilities together with Company's costs, as supported by documentation as required by Paragraph 5, shall be deemed as follows: (i) Five Hundred Forty-Nine Thousand Six Hundred Eighty-Five Dollars (\$549,685) as advances-in-aid of construction, (ii) Two Hundred Six Thousand Three Hundred Twenty-Six Dollars (\$206,326) as contributions-in-aid of construction, and (iii) One Hundred Eight-Six Thousand Seven Hundred Twenty-Three Dollars (\$186,723) as equity. The aforesaid Five Hundred Forty-Nine Thousand Six Hundred Eighty-Five Dollars (\$549,685) of advances-in-aid of construction shall be subject to the prospect of refund pursuant to Paragraph 6 hereof.

4. Actual Costs Shall Govern: The total cost of the Water Facilities is One Million Fifty-Eight Thousand Three Hundred Fifty-Nine Dollars (\$1,058,359) as shown on Exhibit C. Applicant has paid the actual cost of the Water Facilities, and agrees to provide Company with as-built costs, together with all receipts in connection therewith, upon the execution of this Agreement.

5. Documentation: Applicant has, as a condition of acceptance of the Water Facilities by Company, furnished Company with:

- 5.1 copies of all bills, invoices and other statements of expenses incurred by Applicant, covering all costs of materials, equipment, supplies, construction and installation of the Water Facilities;
- 5.2 lien waivers and releases from contractors, subcontractors and vendors for materials, labor, equipment, supplies and construction included in Water Facilities;
- 5.3 receipts, specifying exact amounts or payments in full by Applicant to all contractors, subcontractors or vendors for all materials, equipment, supplies, labor and other costs of construction of the Water Facilities;
- 5.4 "as-built" drawings certified as to correctness by an engineer registered in the State of Arizona and approved by Company, and showing the location and respective sizes of Water Facilities; and
- 5.5 all easements, bills of sale, deeds and other evidences of ownership, and/or right to operate, maintain, repair and replace the Water Facilities requested by Company.

6. Refund of Advance: Applicant's costs for the construction and installation of the Water Facilities, to be advanced by Applicant to Company pursuant to this Agreement and evidenced by invoices furnished to Company pursuant to Paragraph 4 hereof, are subject to refund by Company to Applicant, in accordance with this section. Company shall make refunds annually on or before August 31, for the preceding July 1, through June 30 period. The amount to be refunded annually shall be ten percent (10%) of revenues (excluding all gross receipts collected as sales taxes, franchise fees and/or any other assessment, fee, tax or charge imposed by a state, federal or local governmental body or

pursuant to a cost adjustment mechanism approved by the ACC) derived from the provision of water served from each customer service line of each customer located within the Property leading up to and taken from water mains installed by Applicant pursuant to this Agreement. Refunds for revenues received from customers receiving water from the facilities constructed pursuant to this agreement shall be payable for a period of ten (10) years commencing on the Effective Date of this Agreement. In no event shall the funds paid hereunder exceed the total amounts paid by Applicant as advances-in-aid-of-construction pursuant to this Agreement. Any balance remaining at the end of the ten (10) year period shall become non-refundable unless the refund period is extended from year to year at the sole option of Company. No interest shall be paid on any amount advanced by Applicant pursuant to this Agreement.

7. Company's Right of First Refusal: Before selling or transferring the refund obligation of Company under this Agreement, Applicant shall first give Company, and its heirs, successors and assigns, reasonable opportunity to purchase the same at the same price and upon the same terms as contained in any bona fide offer which Applicant has received from any third person or persons which Applicant may desire to accept.

8. Governmental Approvals: Applicant shall pay for and provide to Company copies of all requisite permits, highway construction permits, zoning and other governmental approvals, as required, and necessary for Applicant to install, construct and maintain the Water Facilities, including the Approval(s) To Construct and Approval(s) of Construction issued by the Pima County Department of Environmental Quality, attached hereto as Exhibit "D", and the Water Use Data Sheet attached as Exhibit "E".

9. Provision and Use of Easements: Applicant shall, at no cost to and in a form acceptable to Company, furnish Company any and all easements and rights-of-way reasonably necessary to insure the proper provision of utility service by Company, as determined in the sole discretion of Company. In addition, Company shall have the right to use any of the existing or future dedications, easements, or recorded rights-of-way on the Property in furtherance of the proper provision of utility service by Company.

10. Time of Construction: Applicant and Company acknowledge that construction of the Water Facilities has been completed as of the Effective Date of this Agreement.

11. Contractor's License: Applicant and Company acknowledge that all construction, installation and connection of Water Facilities has been done by a contractor having a valid contractor's license issued by the State of Arizona Registrar of Contractors encompassing the work to be performed (usually a Class A, A-12 or A-16 license).

12. Construction Standards: The Applicant and Company acknowledge that the size, design, type and quality of materials are in accordance with good utility practices and the requirements of Company (as identified on or before the date of this Agreement or as attached as Exhibit B), the rules, regulations, orders and requirements of the ACC, ADEQ and any other public agency having jurisdiction thereover, including, but not limited to, traffic control, compaction, safety, pavement removal and replacement, sloping, shielding, shoring, OSHA regulations and Arizona Department of Health Services Bulletins No. 8 and No. 10. Additionally, all of said plans and specifications meet or exceed the standards and specifications of the Pima County Health Department, and are hereby approved by the Company. The Water Facilities have been designed and constructed with sufficient capacity

to accommodate the water service requirement of the Property, including fire flow requirements imposed by a governmental entity.

13. Inspection and Testing: Applicant has complied with the inspection and testing requirements of Company, and Company acknowledges that any governmental agency having jurisdiction over the construction, installation and connection of the Water Facilities have approved the Water Facilities.

14. Acceptance of Facilities: The Water Facilities will be deemed accepted as of the date that this Agreement is entered upon by Applicant and Company.

15. Risk of Loss: All risk of loss shall be with Applicant until the effective date of this Agreement.

16. Title to Property: The Water Facilities constructed pursuant to this Agreement shall become the property of Company upon the effective date of this Agreement, and shall remain the sole property of Company without the requirement of further written documents of transfer. Applicant shall not have any further right, title, ownership or ownership interest herein whatsoever, except for the right to receive refunds of the particular advance-in-aid-of-construction pursuant to the method herein described. However, Applicant shall furnish any document pertaining to ownership and title as may reasonably be requested by Company including documents which evidence or confirm transfer of possession to Company of good and merchantable title free and clear of liens, or which contain provisions for satisfaction of liens by Applicant.

17. Warranty: Unless otherwise provided in Exhibit B, Applicant warrants to Company that all materials and equipment furnished under this Agreement were new at the time of installation, and that the Water Facilities are of good quality, free from faults and defects. If required by Company, Applicant shall furnish satisfactory evidence as to the kind and quality of materials and equipment used on the Water Facilities.

18. Indemnification:

18.1 Applicant shall indemnify and hold harmless Company, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Applicant, its agents, servants, employees, contractors or subcontractors in the execution of Applicant's obligations under this Agreement or in connection therewith. In case any suit or other proceeding shall be brought on account of Applicant's action or inaction, Applicant will assume the defense at Applicant's own expense and will pay all judgments rendered therein;

18.2 Company shall indemnify and hold harmless Applicant, its officers, directors, members, agents and employees from and against claims or expenses, including penalties and assessments and attorney's fees to which they or any of them may be subjected by reason of injury or death of any person, or loss or damage to any property contributed to or caused by the active or passive negligence of Company, its agents, servants, employees, contractors or subcontractors in the execution of Company's obligations under this Agreement or in connection therewith. In case any suit or other proceeding shall be brought

on account Company's action or inaction, Company will assume the defense at Company's own expense and will pay all judgments rendered therein;

18.3 The provisions of this Paragraph shall survive termination of this Agreement.

19. Water Service: Upon Applicant complying fully with this Agreement, including receiving Company's written acceptance of the Water Facilities, and obtaining all requisite governmental approvals to sell lots within the Property, Company agrees to offer domestic water service to the Property. Water service shall be offered in accordance with Company's Articles of Incorporation, By-laws, rules and regulations, and under the tariffs and rules and regulations approved by the ACC, as amended from time to time. This Agreement shall not preclude Company from requiring applications for water service to be executed and complied with prior to the actual delivery of water service to individual lots within the Property.

COMPANY EXPRESSLY DISCLAIMS ANY RESPONSIBILITY OR OBLIGATION TO PROVIDE WATER AT A SPECIFIC PRESSURE OR GALLONS-PER-MINUTE FLOW RATE AT ANY FIRE STANDPIPE, OR FIRE HYDRANT, OR FOR FIRE PROTECTION SERVICE. IN THE EVENT FIRE PROTECTION SERVICE IS INTERRUPTED, IRREGULAR, DEFECTIVE, OR FAILS FROM CAUSES BEYOND THE COMPANY'S CONTROL OR THROUGH ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS, THE COMPANY WILL NOT BE LIABLE FOR ANY INJURIES OR DAMAGES ARISING THEREFROM.

Company shall have no obligation whatsoever to provide service to the Property or any portion thereof, unless and until: Applicant has paid the full cost of the Water Facilities as required hereunder; Applicant has secured all governmental approvals required hereunder or as a condition to the sale and/or occupancy of the subdivided lots; construction of the Water Facilities has been completed and accepted in writing by Company, and Applicant has paid all fees, charges, and deposits authorized to be charged by the ACC including, but not limited to, meter and service lines which are not a part of the Water Related Facilities covered by this Agreement.

20. Conservation Requirement: To the extent Applicant contracts for or constructs residences or other water consuming facilities on the Property, Applicant shall make its best efforts to ensure that construction of said residences and facilities incorporates the latest technologies in water conservation consistent with the economic investment therein and limits water using features.

21. Non-Agents: It is agreed that Company is not an agent for Applicant and shall not incur any costs or expenses on behalf of Applicant and that Applicant is not an agent of Company and shall not incur any costs or expenses on behalf of Company.

22. Communication: Communications hereunder shall be sent to Applicant addressed as follows:

Tierra Linda Development, LLC  
6262 N. Swan Rd., Suite 125  
Tucson, AZ 85718

or to such other addresses or addressees as Applicant may advise Company in writing, and to Company at:

Tierra Linda Homeowners Association, Inc.  
c/o Tierra Linda Homeowners Association Water Company  
PO Box 69868  
Tucson, AZ 85737

or to such other addresses or addressees as Company may advise Applicant in writing.

23. Assignability: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns and either party may record the Agreement with the County Recorder's office in the county where the Property is located. However, Applicant shall only assign its rights, obligations and interests in this Agreement to a successor-in-interest that agrees in writing to assume all of Applicant's obligations to Company under this Agreement.

24. Rights and Remedies: The duties and obligations imposed by this Agreement and the rights and remedies available hereunder shall be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available at law or equity. No action or failure to act by Company or Applicant shall constitute a waiver of any right or duty afforded any of them under the Agreement, nor shall any action or failure to act constitute an approval of or acquiescence in any breach, except as may be specifically agreed in writing.

25. Litigation: Should litigation be necessary to enforce any term or provision of this Agreement, or to collect any damage claimed or portion of the amount payable under this Agreement, then all litigation and collection expenses, witness fees, court costs, and attorneys fees shall be paid to the prevailing party. Nothing herein shall preclude non-binding arbitration if the parties so elect in the event of a dispute hereunder.

26. Entire Agreement/Time of the Essence/Waiver: This Agreement sets forth the full and entire agreement of the parties and it may only be altered, amended or supplemented in writing. This Agreement shall be governed by the laws of the State of Arizona. Time is of the essence in performing all obligations hereunder. Waiver of a breach of any term, condition or covenant of this Agreement by any party shall be limited to the particular instance and shall not be deemed to waive future breaches of the other party of the same or other terms, conditions or covenants.

27. Counterparts: This Agreement may be executed in any number of counterparts, and all such counterparts shall be deemed to constitute one and the same instrument, and each of said counterparts shall be deemed an original hereof.

28. Effective Date: This Agreement shall have no force or effect whatsoever and shall not be binding upon Company or Applicant until such time as it is executed by all parties and approved by the staff of the Utilities Division of the Commission.

29. Authority to Execute: Each party warrants and represents that it has lawful authority to execute this Agreement and to perform all acts required hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first written above.

**COMPANY**

Tierra Linda Homeowners Ass'n, Inc.  
an Arizona public service corporation

By: ROBERT P. ZAMMIT

Title: PRESIDENT

Date: 6/23/09

Approved: [Signature]

Date: \_\_\_\_\_

Utilities Division:

Arizona Corporation Commission

**APPLICANT**

Tierra Linda Development, LLC,  
an Arizona limited liability  
company

By: ROBERT P. ZAMMIT

Title: MANAGER

Date: 6/23/09

Approved: [Signature]

**ACKNOWLEDGMENTS**

STATE OF ARIZONA )

) ss.

COUNTY OF PIMA )

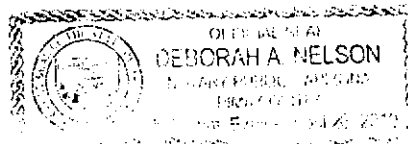
On this 23 day of JUNE, 2009, before me, the undersigned, a Notary Public, personally appeared ROBERT P. ZAMMIT who acknowledged himself to be the MANAGER of TIERRA LINDA DEVELOPMENT, LLC, an Arizona limited liability company, and that he/she as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

My Commission Expires:

[Signature]

Notary Public



STATE OF ARIZONA )

) ss.

COUNTY OF PIMA )

On this 23 day of JUNE, 2009, before me, the undersigned, a Notary Public, personally appeared ROBERT P. ZAMMIT who acknowledged himself to be the PRESIDENT of TIERRA LINDA HOMEOWNERS ASSOCIATION, INC., an Arizona corporation, and that he/she as such, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

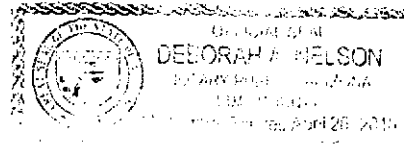


IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

My Commission Expires:



Notary Public



# **Appendix “D”**

**Tierra Linda Homeowners Association, Inc.  
(List of Water System Improvements)**

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

## **EXHIBIT H**

### **Water System Assets**

#### **Real Estate**

- 0.68 acre wellsite, dkt. 10209, pg. 2027
- non-exclusive right to 20' wide utility and access easement to wellsite located within lot 20 of Tierra Linda, Dkt. 17, Pg. 92
- non-exclusive right to 50' wide private ingress/egress & utility easement to wellsite located within lot 53 of Tierra Linda Nueva, Bk. 59, Pg. 3.

#### **Structures and Improvements**

- wellsite fencing and gates
- wellsite concrete slabs
- wellsite gravel and riprap

#### **Wells and Springs**

- well with 12" casing

#### **Pumping Equipment**

- 25 hp submersible pump
- 450 lf drop pipe, cable and sounding tube
- Two 10 hp and one 50 hp booster pumps
- piping, valves, flow meters, supports
- electrical equipment and panels
- compressor and related piping, valves and fittings
- 5000 gallon hydro-pneumatic tank, valves, fittings and connection

#### **Distribution Reservoirs and Standpipes**

- wellsite ductile iron pipe, fittings and connections
- 400,000 gallon storage tank, piping, fittings and connections
- 8" elevated overflow and supports

#### **Transmission and Distribution Mains**

- 1,520 lf 12" mains, (4) 12" valves
- 6,922 lf 8" mains, (31) 8" valves
- 1,000 lf 6" mains, (0) 6" valves
- (15) 2" DVAs

#### **Services**

- Phase 1: 37 single water services, 40 double water services, 2 irrigation services
- Phase 2: 22 single water services, 13 double water services

#### **Meters and Meter Installations**

- 60 5/8" x 3/4" meters

#### **Hydrants**

- Phase 1: 15 hydrants
- Phase 2: 8 hydrants

#### **Other Plant and Misc. Equipment**

- chlorination system
- cellular phone connection to telemetry system

# Appendix “E”

Tierra Linda Homeowners Association, Inc.

Pima County Franchise

(Comment: None required. Water system  
is located in recorded plat dedicated  
easements on private property)

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “F”

Tierra Linda Homeowners Association, Inc.  
Water System Real Property Descriptions  
(Comment: To be provided by Escrow Agent  
in connection with Title Report)

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “G”

Tierra Linda Homeowners Association, Inc.

Special Warranty Deed

(Comment: To be prepared by Escrow Agent  
and provided for Buyer’s review and approval  
prior to Closing)

Tierra Linda Homeowners Association, Inc.

Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “H”

Tierra Linda Homeowners Association, Inc.  
Assignment and Assumption of Easements  
and Property Rights

(Comment: To be prepared by Escrow Agent  
or Seller’s counsel and provided for Buyer’s  
review and approval prior to Closing)

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “I”

Tierra Linda Homeowners Association, Inc.  
Assignment of Water Rights and Well  
Registrations

(Comment: To be prepared by Seller and  
provided for Buyer’s review and approval prior  
to Closing)

Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_



# Appendix “J”

Tierra Linda Homeowners Association, Inc.

Bill of Sale

(Comment: To be prepared by Seller and  
provided for Buyer’s review and approval prior  
to Closing)

Tierra Linda Homeowners Association, Inc.

Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “K”

Tierra Linda Homeowners Association, Inc.

Assignment and Assumption

of Contract Rights

(Comment: To be prepared by Seller and  
provided for Buyer’s review and approval prior  
to Closing)

Tierra Linda Homeowners Association, Inc.

Docket No. W-04236A-09-\_\_\_\_\_

# Appendix “L”

Tierra Linda Homeowners Association, Inc.

Certificate of RUCO and ACC

Assessment Payment

(Comment: To be prepared by Seller and  
provided for Buyer’s review and approval prior  
to Closing)

Tierra Linda Homeowners Association, Inc.

Docket No. W-04236A-09-\_\_\_\_\_

# **Appendix “H”**

**Tierra Linda Homeowners Association, Inc.  
(Water System Assets)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

## **EXHIBIT H**

### **Water System Assets**

#### **Real Estate**

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- well with 12" casing

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#### **Transmission and Distribution Mains**

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#### **Services**

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- Phase 2: 22 single water services, 13 double water services

#### **Meters and Meter Installations**

- 60 5/8" x 3/4" meters

#### **Hydrants**

- Phase 1: 15 hydrants
- Phase 2: 8 hydrants

#### **Other Plant and Misc. Equipment**

- chlorination system
- cellular phone connection to telemetry system

# **Appendix “I”**

**Tierra Linda Homeowners Association, Inc.  
(Notice to Members)**

**Tierra Linda Homeowners Association, Inc.  
Docket No. W-04236A-09-\_\_\_\_\_**

# Tierra Linda Homeowners Association

June \_\_, 2009

To: All Owners of Lot(s) Within Tierra Linda Nueva

Re: Sale of the Tierra Linda Homeowners Association Water Company

Dear Owner:

The Tierra Linda Homeowners Association is planning the sale of Tierra Linda's existing water system facilities at a price of \$70,000.00 to a qualified water system operator, Gary Smyth. Mr. Smyth has demonstrated competence in constructing and operating water facilities and currently operates another water company - the Lakewood Water Company - in Pima County, Arizona. The sale of Tierra Linda's water facilities to Mr. Smyth will require the approval of the Arizona Corporation Commission ("ACC") in order to complete the transaction.

The existing water system facilities consist of well, wellsite, pumps, storage tanks, transmission mains, controls and other items related to the delivery of potable water. The water system over time will need significant capital expenditures, as well as ongoing maintenance which will tend to increase in cost as the equipment ages. Gary Smyth was Tierra Linda's water plant contractor, and has built similar water plants all over southern Arizona. He is in a unique position to maintain and operate the water plant with maximum efficiency; and, he has the financial resources to make the above-indicated significant capital expenditures as needed in the future. The water system and Mr. Smyth will continue to be regulated by the ACC after the sale.

If you have any questions or comments, or need any additional information, please do not hesitate to contact me.

Sincerely,

Robert P. Zammit  
President

6262 N. Swan Rd., Suite 125,  
Tucson, AZ 85718  
(520) 529-1330 phone (520) 529-1312 fax